

**10/5/78**

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# WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Brzezinski to Pres. Carter, w/attachments 5 pp., re:US/USSR relations <i>opened 2/2/93</i>	10/4/78	A

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THE PRESIDENT'S SCHEDULE

Thursday - October 5, 1978

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8:15 Dr. Zbigniew Brzezinski - The Oval Office.

9:00 Mr. Frank Moore - The Oval Office.

9:13 Mr. Nick Marvoules, Democratic Congressional  
(2 min.) Candidate, 6th District, Mass. (Mr. Frank  
Moore) - The Oval Office.

9:15 Drop-by Breakfast for Republican Congressional  
(10 min.) Group/ Energy. (Mr. Frank Moore).  
First Floor Private Dining Room.

10:30 Mr. Jody Powell - The Oval Office.

11:30 Michigan State Constituency Briefing.  
(20 min.) (Mr. Hamilton Jordan) - Room 450, EOB.

12:15 Lunch with Vice President Walter F. Mondale,  
(60 min.) Secretary Michael Blumenthal, Federal Reserve  
Board Chairman William Miller, Mr. James  
McIntyre and Mr. Charles Schultze.  
The Cabinet Room.

1:45 Mr. John Amos - The Oval Office.  
(5 min.)

1:50 Mr. D.W. Brooks - The Oval Office.  
(5 min.)

2:00 Inaugural Session of the Presidential Commission  
(10 min.) on World Hunger. ( Dr. Zbigniew Brzezinski).  
The Roosevelt Room.

THE WHITE HOUSE  
WASHINGTON

10/4/78

Zbig Brzezinski

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Fran Voorde  
Phil Wise

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

5861

SECRET

October 4, 1978

MEMORANDUM FOR: THE PRESIDENT

via Phil Wise

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Meeting with William Verity, President of Armco Steel and Chairman of the US-USSR Trade and Economic Council, and Michael Forrestal, President of the Council

You previously decided that the Vice President should see William Verity when the question arose before his trip to the Soviet Union. Verity was apparently quite chagrined at his inability to see you, and both Cy Vance and Bob Straus had to assure him that it meant no lack of support for US/Soviet trade keyed to the overall state of our relations. Verity is now back from Moscow where he met with Brezhnev and is pressing very hard to see you to give you a brief report on his trip.

Cy Vance strongly recommends that you see Verity and Forrestal (his memo to you is attached at Tab A), and Bob Straus, Juanita Kreps and Mike Blumenthal also so recommend. If you wish to send a strong signal that everything is fine in US/Soviet relations you would be advised to see them.

However, Stu Eizenstat is unenthusiastic about this use of your time (what with the public works bill, inflation, etc.), but said he would not oppose it. I believe Frank Moore would probably share Stu's views. Moreover, the current Jackson hearings have made this matter more politically sensitive and a Verity call on you could needlessly inject you into that affair. Finally, there is still the matter of continued Soviet/Cuban military activity in Africa, regarding which we had wanted to register tangibly our concern.

You have the following options:

- (A) See them                      ✓
- (B) See them, but 2 or 3 weeks from now
- (C) Have the Vice President see them
- (D) Other

SECRET

DECLASSIFIED

E.O. 12356, Sec. 3.4

PER 11/5/82 HSC/HV RE HR-ALC-92-72  
BY                      NARS, DATE 11/27/93

THE WHITE HOUSE  
WASHINGTON

10/4/78

Mr. President:

You were requested to do this and asked the VP to stand in. He was out of town and could not. If you decide to see them I would suggest you wait until congress adjourns.

Phil

THE WHITE HOUSE  
WASHINGTON

Rick -

Phil has

Not Seen -

send copy

Please  
to him & Fran.

N.



THE SECRETARY OF THE TREASURY  
WASHINGTON

October 3, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Appointment for William Verity  
and Michael Forrestal

Bill Verity and Mike Forrestal have returned from Moscow where they met with General Secretary Leonid Brezhnev. Their discussions covered U.S.-Soviet trade and economic relations, as well as plans for the December 6-7 Trade and Economic Council meeting. They are anxious to report their conversations to you.

As you know, I will be going to Moscow to attend the Trade Council meeting, as well as the December 4-5 meeting of the Joint U.S.-U.S.S.R. Commercial Commission.

In view of their meeting with Brezhnev and my upcoming Moscow trip, I would like to recommend that you meet with Bill Verity and Mike Forrestal. Cy Vance and Bob Strauss join me in making this recommendation.

W. Michael Blumenthal



2:00 PM


THE WHITE HOUSE  
WASHINGTON

5669

October 2, 1978

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN 

SUBJECT: Meeting with Hunger Commission

You have agreed to meet with the Chairman (Sol Linowitz) and members of the newly-appointed Presidential Commission on World Hunger on Thursday, October 5, at 2:00 p.m., in the Roosevelt Room. This will be the first meeting of the full Commission.

You have already signed the Executive Order establishing the Commission, and we have released publicly the names of the individual Commissioners.

Media coverage has been minimal to date. Your participation in this opening session should draw greater attention to the Commission (which Sol very much wants) and underscore your personal interest in its activities.

We have prepared talking points for your use at Tab A. After the meeting, the Press Office will issue a formal statement (Tab B), which tracks with the suggested talking points.

The Commission will have been meeting since 1:00 p.m. Sol would like to present the individual members of the Commission to you when you enter. Then you would talk, hear Sol's very brief answer, and leave. After that the Commission will resume its business meeting.

A list of the Commissioners is at Tab C. The four Congressional representatives met with you in February to urge establishment of the Commission. Senator Leahy and Rep. Nolan sponsored the resolution calling for a Presidential Commission.

I will stay in close touch with Sol, and take part in Commission meetings. Their object is to have a draft report next summer, and to spend the second half of their two-year term selling its conclusions to the public. I believe this will be a useful exercise. I will report to you about the Commission's work, as needed.



## TALKING POINTS

1. Hunger persists in the world today despite abundant harvests both here and abroad. An estimated 700 million people are seriously malnourished. Nearly half are children, many of whom will suffer permanent physical or mental disabilities as a result.

2. We have an important stake in solving these problems:

-- From a humanitarian standpoint, the right to food is the most basic of human rights.

-- From a US standpoint, so long as food shortages persist, another world food crisis like that of 1973-74 could occur and adversely affect our country.

3. In the past, we have not had a coherent strategy to deal with world hunger. To develop such a strategy, we need to take a fresh look at three questions:

-- How can we help developing nations to increase their food output?

-- How can we provide food aid in the meantime to these countries, without discouraging their food production?

-- How can we end hunger and malnutrition in the United States?

4. I look to you to propose answers to these questions. To carry out the policies that you propose:

-- In the US we will need close cooperation between the executive and legislative branches of government and the private sector.

-- Abroad, we will need the help of other nations and multi-lateral institutions, as well as international private organizations.

5. I expect great things from this Commission:

-- I have assigned you one of the most important tasks any President could give any group. The lives, health, and happiness of millions of people today and of future generations, will depend on your success.

-- I am proud of your Chairman, Sol Linowitz. He has served his nation well in a variety of assignments, including the negotiation of the Panama Canal Treaties.

-- I have asked my staff to remain in very close touch with the Commission, and to keep me fully abreast of your work and needs. You will have my full cooperation and that of the entire Executive Branch.



## Hunger Commission Statement

Farmers around the globe are preparing to gather one of the largest harvests on record. Yet, despite this abundance, hundreds of millions of people will remain hungry and malnourished. Some Americans are among them. Theirs is a daily experience, which saps the strength and will and prevents maximum human development. Their numbers will grow unless we find means to raise world food production and improve food distribution, reduce population growth, and help these men, women, and children raise themselves out of the poverty that lies at the root of their hunger.

The United States has a stake in helping to solve this problem -- not only because of our humanitarian concerns but for other reasons as well. We cannot have a peaceful and prosperous world if a large part of the world's people are at or near the edge of hunger. So long as food shortages exist in developing countries, the possibility remains of another world food crisis, like that of 1973-74. Such a crisis could trigger another ruinous cycle in food prices and thus contribute powerfully to inflation.

With the support of the American people and the Congress, this Administration will intensify its efforts to meet the world hunger problem. To this end, we must look for ways to tap the talents and commitment of the American nation in an effective international effort.

To assist in this vital effort, I have signed an Executive Order creating a Presidential Commission on World Hunger. Ambassador Sol Linowitz, who will be its chairman, has already served our country in many capacities -- most recently as Ambassador to the OAS, and as co-negotiator in the Panama Canal Treaties. None of his assignments, however, have been as important to the future hopes of mankind as the one he and his colleagues will undertake over the next two years: that of helping to alleviate hunger and malnutrition throughout the world.

I have asked the Commission to analyse the nature and dimensions of the problem, to assess the performance of existing programs, and to recommend actions this nation can take to reduce world hunger and malnutrition. The Commission will provide me with a status report by July 31, 1979 and a final report by May 31, 1980.

I am confident that this new venture, which will entail close cooperation between the private sector and US legislative and executive branches of government, will produce a notable advance in the war on hunger.



## COMMISSIONERS

Norman E. Borlaug, of Minnesota, director of the Wheat, Barley and Triticale Research and Production Programs at the International Center for Maize and Wheat Improvement in Mexico.

David W. Brooks, of Atlanta, chairman of the Policy Committee of Gold Kist, Inc.

Harry Chapin, the recording artist, who is the founder of World Hunger Year, a non-profit private group.

John Denver, the recording artist, who has also produced a film, "I Want to Live", directed toward the problem of world hunger.

Walter P. Falcon, director of the Food Research Institute and professor of economics at Stanford University.

Sol Linowitz, Washington attorney and co-negotiator of the Panama Canal Treaties (also designated chair of the Commission).

Jean Mayer, president of Tufts University and an expert on nutrition (vice chair).

Bess Myerson, newspaper columnist and former commissioner of consumer affairs for New York City.

Steven Muller, president of Johns Hopkins University and Johns Hopkins Hospital (vice chair).

Howard A. Schneider, director of the Institute of Nutrition and professor of biochemistry and nutrition at the University of North Carolina.

Adele Smith Simmons, president of Hampshire College in Amherst, Massachusetts.

Raymond C. Singletary, Jr., of Blakely, Georgia, president of the Blakely Peanut Company and past president of the Georgia Association of Soil Conservation Districts and the Southeastern Peanut Association.

Eugene L. Stockwell, of Ridgewood, New Jersey, associate general secretary for overseas ministries of the National Council of the Churches of Christ in the U.S.A.

Clifton R. Wharton, Jr., chancellor of the State University of New York and a specialist in economic development.

CONGRESSIONAL DESIGNEES

Sen. Robert Dole (Rep., Kansas)

Sen. Patrick Leahy (Dem., Vermont)

Rep. Benjamin Gilman (Rep., New York)

Rep. Richard Nolan (Dem., Minnesota)



THE WHITE HOUSE  
WASHINGTON

10/5/78

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

4

OCTOBER 5, 1978  
THURSDAY - 9:25 a.m.

MR. PRESIDENT

CONGRESSMAN MAZZOLI <

RETURNED YOUR CALL.

*Winetap  
Judgeship*

*Nat Geo - 1  
Delegation in Ky*

PHIL

*Certainly will  
be there.*

*Frank J*

THE WHITE HOUSE

WASHINGTON

October 5, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE  
JIM FREE *J.F.*

*Los says Pepper = 1*

We need your assistance on making more calls on the  
Public Works veto.

*> 1* Otis PIKE (D-New York)

Pike is retiring. You have  
stuck with us before, we need  
your help now more than ever.

*> 1-* John DINGELL (D-Mich)

You have always been with us. I  
know how difficult it is to go  
against the Speaker, but I really  
need you on this one.

*> 2-* Al CEDERBERG (R-Mich)

Ask for his support.

James CLEVELAND (R-N.H.)

You have been with me before. I need  
your support now more than ever.

James DELANEY (D-New York)

*no call*

I have asked you to do some  
important things before, but none  
have been as important as this. I  
hope you will vote to sustain.

*4* John ERLNBORN (R-Ill)

Ask for his support.

*> 5-* Carroll HUBBARD (D-KY)

*May lose Appt whip's position*

I know that Frank Moore has talked  
to you. I hope that you will  
continue to support my position.

*> 3* William HUGHES (D-N.J.)

*Ship threatens loss of 2 or  
3 coastal projects*

John JENRETTE (D-S.C.)

I know that this is a tough one.  
Please stick with me.

Marc MARKS (R-PA)

You have been with me before. Please  
stick with me.

*> 2* Leon PANETTA (D-CA)

I know that this is difficult and  
I need your help.

*> 2* Joel PRITCHARD (*R* WA)

You have been with me before. Please  
stick with me now.

- 2 -

> 1 Pete RODINO (D-N.J.)

*Hughes → 1*

I know that this is extremely difficult for a full Committee Chairman to go against the Leadership, but I really need your support. Please stick with me.

> 3 Floyd SPENCE (R-S.C.)

I need your help in balancing the budget. We need to put a hold on federal spending.

Chris DODD (D-Conn)

I know that this is tough, but don't leave me on this one.

Gladys SPELLMAN (D-MD)

I really need your help on this one.

> 1 Helen MEYNER (D-N.J.)

I know that it has been getting tough and that there is much pressure, but I really need your help on this one.

Joe MINISH (D-N.J.)

I know that you have been pressured and that it is getting tough, but I really need your help on this one.

Lud ASHLEY (D-Ohio)

*Reassured him  
on energy*

Ashley is very concerned about energy and what the Public Works veto override will do to the energy bill. He is also concerned about his Chairmanship of the Ad Hoc Committee on Energy. You should tell him you know how difficult this vote is, but you really need his support.

*Doug Applegate D(Ohio) - told up. He is  
Almost with us.*

THE WHITE HOUSE  
WASHINGTON

October 5, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim Free  
Les Francis *Les Francis*

SUBJECT: Request for Additional Telephone Call for  
Public Works Appropriations Veto

DOUG BARNARD (D-Georgia)

He has been concerned about Russell Dam. The balance to complete is about \$140,000,000. We will approve financing it. With this in mind, you should appeal to him to be a team player.

5

THE WHITE HOUSE  
WASHINGTON

October 5, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore *by Les Francis*  
Jim Free

SUBJECT: Pre-Override Vote "Thank You" Calls

Background

In addition to the calls we have asked you to make this morning to House Members we are trying to win over, it is also important that you call a few of our allies. There are two purposes for these calls:

- 1) To thank them for their efforts so far; and
- 2) To urge them to fight hard until the final vote is cast.

Talking Points

- I know how hard you have been working on the Public Works veto and I appreciate it very much.
- Our latest vote counts this morning indicate that if our supporters "hang in there" -- and if they vote early -- we can win. We are ahead right now.
- Please do everything you can before the vote, and really work the floor for us. Several members of the Administration will be up on the Hill all morning and will be at the doors. We are making an all-out effort. I personally will have talked to almost 60 Members by phone. The Vice President will have talked to almost as many.

Call List

- |                              |                             |
|------------------------------|-----------------------------|
| • Butler Derrick <i>done</i> | • Bob Edgar                 |
| • Phil Burton                | • Jim Martin <i>working</i> |
| • Bob Michel                 | • Abner Mikva <i>done</i>   |

Note: You may have called some of these already, in which case please disregard.

THE WHITE HOUSE

WASHINGTON

October 5, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *FM*

RE: PUBLIC WORKS - Item 1 - Telephone Request  
Item 2 - FYI

1. Lawrence (Larry) Coughlin (R-Penna. 13th District) is a vote if you will call him. He wants you to give your standard pitch on the breeder reactors. *not true -*

2. We have picked up three votes in addition to the ones you have gotten. We now have 15 "walks" for our side. *He wants tuition tax credit bill - I told him our own legislation was my preference*

There is a parliamentary debate going on in the House right now that will not be resolved for one hour. It looks like debate on public works will begin at 12:15 p.m. with the vote one hour later (1:15 p.m.).

If we are not successful in the House, the Senate will take up public works on a four hour time agreement. Several people are now speaking for us. We picked up Senators Culver and Stafford this morning.

Bob Thomson estimates that we have 26 firm votes. There are two Senate absentees (one for us - one against us). It will take 33 votes to sustain.

THE WHITE HOUSE  
WASHINGTON

Oct. 5, 1978

Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Bob Lipshutz  
Joe Aragon

60 Minutes

ADMINISTRATIVELY CONFIDENTIAL



	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
/	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

/	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
/	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

ADMINISTRATIVELY  
CONFIDENTIAL

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

*Jerry -  
Have Graciela  
report to Lipschutz -  
I want a report  
today*

MEMORANDUM FOR THE PRESIDENT

FROM: Jerry Rafshoon *Jerry*  
SUBJECT: Community Services Administration Scandal

Sixty Minutes is planning a piece to air this Sunday on a CSA program in Los Angeles known as Greater Los Angeles Community Agency (GLACA). The thrust of the piece is that the program is fraud-ridden and that this contrasts with the Administration's strong statements about fighting waste and fraud. CSA admits that there are problems with the program but insists that they have been working to improve it.

I strongly recommend that you take two steps Thursday morning to mitigate the damage of this piece. First, you should call Grace Olivarez, tell her that you have been informed of this problem and request a full report on the situation by the end of the week. Second, tell Griffin Bell at your 8 a.m. meeting that you will forward the CSA report to him for appropriate handling.

Mike Wallace is trying to reach me and I presume he wants to discuss this issue. If I can tell him that you have learned of this problem and taken the above actions he will probably include that in his piece - perhaps giving it an overall positive tone.

cc: Hamilton Jordan  
Jody Powell  
Bob Lipshutz

THE WHITE HOUSE  
WASHINGTON  
10/5/78

Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

EEO EXECUTIVE ORDER

5095

THE WHITE HOUSE

WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ *RL*

RE: Executive Order Entitled: Consolidation of Contract Compliance Functions for Equal Employment Opportunity

Reorganization Plan No. 1 of 1978 (Equal Employment Opportunity) consolidated many of the government's EEO responsibilities. At the time you sent that Plan to Congress, you also announced your decision to consolidate Federal contract compliance functions in the EEO area within the Department of Labor, something that could be accomplished simply by Executive Order. (These functions had previously been the responsibility of eleven different agencies.)

The purpose of the attached Order is to effect that consolidation by transferring the responsibilities of the eleven agencies to the Department of Labor. It also contains conforming language amending Executive Order 11246, which was the original Order establishing Federal responsibility in this area.

The Order is acceptable to the Department of Labor and has been approved by Justice and OMB. We recommend that you sign it as soon as possible, since October 8 is set as the date of transfer, in accordance with your original announcement to Congress. DPS concurs.

✓

Approve

Disapprove

THE WHITE HOUSE  
WASHINGTON

10/5/78

Jody Powell

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the President's outbox. It is  
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Rick Hutcheson

cc: Zbig Brzezinski  
Fran Voorde  
Phil Wise

	FOR STAFFING
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	SCHNEIDERS
/	VOORDE
	WARREN
/	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

PHIL HAS NOT SEEN. PLEASE COPY HIM  
AND FRAN.

THE WHITE HOUSE  
WASHINGTON

10/5/78

Mr. President:

Zbig concurs with Jody et al.

Rick

This should be your only  
participation in the opening  
ceremonies.

Phil



THE WHITE HOUSE  
WASHINGTON

ok  
J

October 5, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jody Powell

RE: Opening of Israeli-Egyptian Peace Talks on Oct. 12

We need to begin work on the plans for this conference. One of the first decisions required is whether you will personally open the conference with a few appropriate remarks. Rafshoon, Jordan and I believe that you should.

Win or lose you are identified with this effort. An appearance by you would serve to underscore your determination to see it through for the domestic audience. Diplomatically it would seem to re-affirm your commitment of "full partnership" for the U.S. to the Arab world.

The conference will open on the day of the gas vote in the House. It might help for House members to know that on the day they vote the country will be directly reminded of your role in Mid-East peace.

If you do foresee a chance of direct personal involvement in the talks should sticking points develop, an opening appearance would seem to appropriately set the stage for future personal intervention.

State was thinking of having the Vice President open the talks since Cy will apparently be out of town. They seemed to be under the impression that you would prefer not to do it yourself. I asked them to hold off until you had a chance to fully consider the question. I also asked them to come up with any arguments they could against a Presidential statement to open the conference.

I understand you and the Secretary of State will be talking about this question, among others, in the next few days.

State has now come back with a strong recommendation that you do make an opening statement. They believe this is the best way to establish the proper diplomatic context. JJP

O R D E R

-----

I hereby authorize Robert J. Lipshutz, Counsel to the President of the United States, to administer oaths required for entrance upon employment in the Executive Branch of the Government of the United States.

*Jimmy Carter*

THE WHITE HOUSE,

THE WHITE HOUSE  
WASHINGTON

October 5, 1978

Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
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Rick Hutcheson

ANTI-INFLATION FIRESIDE

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

8

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

*Terry. Sounds  
good. Work with  
Schultz & Ste. Keep  
it in the White  
House  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: Jerry Rafshoon *JR*  
Greg Schneiders *GS*  
Jim Fallows *JF*

SUBJECT: Anti-Inflation "Fireside"

Your anti-inflation "fireside chat" will certainly be one of the most important speeches of your Presidency. It will be your best opportunity to address at length the nation's number one domestic problem.

Our objectives in the speech should be:

1. To educate the American people about inflation.
2. To shape the national mood on the issue.
3. To announce the most recent steps you have taken to deal with the problem.
4. To call on the American people, the Congress, business and labor to work together responsibly to fight inflation

The tone of the speech should be calm, responsible, educational, fatherly. The American people don't understand inflation - what it is, what causes it, how seriously it threatens their future plans. It has been demagogued by a lot of politicians who also do not understand very much about it. This speech could be the definitive statement in the public debate of the issue. It should put inflation in proper perspective for the public - in this way, serving the same purpose as FDR's first fireside chat.

In the speech you will have to make several very subtle points. First, while inflation is very serious we should

-2-

not panic. We must have a balanced, consistent economic policy - one that takes a steady course for the long hall, rather than reeling back and forth between inflation and recession. Second, while the steps you are now taking have a good chance of helping, we must not expect too much from these or any other measures. It's not a matter of winning a quick decisive victory as in a military campaign. Bringing inflation under control is a slow tedious, on-going process - there is no quick fix. It will be decided day by day by dozens of choices all of us make. Third, what you are announcing is not a program; these are additional steps which are related to ones taken earlier and which may have to be augmented by others later. You are describing a process. While we want to suggest that the process leads to further steps, we must carefully explain why those steps will not lead in the direction of controls. (Obviously, we have to be careful not to leave the impression that the process ends with controls.

1 good

1 good

1 good

To be successful the speech should:

- Establish you as the leader in the fight against inflation ✓
- Define the issues and set the tone of future public discussion of the issue ✓
- Lower the expectations of the public about "slashing" the rate of inflation rapidly ✓
- Dampen pressures for drastic monetary and fiscal measures (e.g. much higher interest rates; mandated balanced budget) ✓
- Increase public pressure on Congress, business and labor to act responsibly ✓
- Instill a quiet confidence and determination in the public in dealing with inflation. ✓

A proposed outline for the speech is attached.



PROPOSED OUTLINE FOR ANTI-INFLATION "FIRESIDE"

(Each point represents, at most, a few sentences)

- Introduction: need to discuss inflation and announce new steps being taken.
- What inflation is
- Why it is important: economic repercussions; "It threatens the American Dream."
- What causes inflation: demand-pull; cost-push. -?
- Why inflation is self-perpetuating.
- History of "ten-year" inflation: Vietnam, OPEC, etc.
- Why today's inflation is different, more intractable than inflation in the past.
- The role of government in causing inflation: monetary, fiscal, regulatory.
- The role of business in causing inflation.
- The role of labor in causing inflation.
- The role of each of us in continuing inflation.
- Options in dealing with inflation; no program; voluntary steps; controls.
- The pros and cons of each option.
- The status today - the deceleration program: a frank appraisal.

- Announcement of the new steps being taken:

Government (Stress the importance of Government setting an example)

- Reducing budget deficits (specific commitment?)
- Vetoes of inflationary legislation
- Pay caps and freezes
- Employment freeze?
- Regulatory reform; deregulation
- Energy policy
- Attack on waste and fraud
- Jawboning by Council on Wage and Price Stability
- Request for support from Federal Reserve Board
- Legislative proposals: TIP ?; Social Security postponement ?; Minimum Wage postponement ?; ICC deregulation ?; others ?

Business

- Continuation of deceleration with guideline
- Sanctions
- Executive pay freezes

Labor

- Continuation of deceleration with guideline

Average American

- Careful purchasing
- Pressure on Congress
- Pressure on business and Labor

- Call for responsible action, cooperation, support,

also, key  
mention key  
legislative goals  
for next year:  
Tax - Hosp Costs -  
Pub Wks - Damage  
Budget, etc



THE WHITE HOUSE  
WASHINGTON

10/5/78

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson  
cc: Stu Eizenstat  
CALL TO CONG. S. CHISHOLM

However, women will also be given increased access to 8(a) programs.

This compromise was reached after you expressed support for Congressman Mitchell's position and after the Administration worked with the Conference Committee to get this compromise.

TOPICS OF DISCUSSION:

1. I know that you have been concerned recently with the 8(a) program. We have been working with Congressman Mitchell to get a position as close to his as possible adopted by the Conference Committee. I think we have reached a compromise now which shall be satisfactory to all parties, but which should certainly enable Blacks to get greater access to the 8(a) program. We will do whatever is required to see that this compromise on 8(a) is enacted this year.
2. I am calling to ask for your support of the leadership position on the energy bill. The leadership and I feel strongly that a rule should be granted which will enable the House to vote on all the conference reports including natural gas as one single bill.
3. By having a single vote, we think that the problems involved at the end of the session can be avoided and a sound energy bill can be enacted.
4. Your vote in the Rules Committee will be very important to determining whether or not we can get a rule which allows the energy conference reports to be packaged as one bill. I urge you to vote for such a rule.

THE WHITE HOUSE  
WASHINGTON

CONGRESSIONAL TELEPHONE CALL

Frank -  
She's ok  
J

TO: CONGRESSWOMAN SHIRLEY CHISHOLM

DATE: Thursday, October 5, 1978

RECOMMENDED BY: Frank Moore, <sup>F.M./BR</sup> Stu Eizenstat <sup>Stu</sup>

PURPOSE: To convince her to support the leadership position in the Rules Committee on the energy legislation. (Committee meets 10:00 a.m. Friday)

BACKGROUND: It is critical to our ability to pass the gas bill in the House that it come before the House in a rule packaging it with the other conference reports. While the Speaker is strongly supporting the plan to get a rule packaging all the conference reports in one bill, he has not yet clearly secured the votes necessary to get such a rule from the Rules Committee. One of the votes that we will need to get is that of Congresswoman Chisholm.

Her main legislative interest lately has been seeing that a sound 8(a) program is enacted this year. She has been supporting Congressman Mitchell's bill, for which you expressed support at a recent meeting of the Congressional Black Caucus. His bill, which had been strongly opposed by many women's groups, would give statutory priority in the 8(a) program to Blacks and other minorities.

A compromise on the 8(a) program was reached in the House-Senate conference yesterday. The compromise is one that satisfies Congressman Mitchell, and Congresswoman Chisholm, as well as the women's groups which had been supporting the Senate bill. The compromise is one which requires SBA (which administers the 8(a) program) to consider a variety of cultural and economic factors in determining 8(a) recipients, but the provisions are worded so that Blacks and other minorities are clearly getting preference.

THE WHITE HOUSE

WASHINGTON

CONGRESSIONAL TELEPHONE CALLS

TO: Sid Yates (D-Ill) Ron Mazzoli (D-Ky)  
Floyd Fithian (D-Ind) Jim Leach (R-Iowa)  
Jim Collins (R-Tx) Adam Benjamin (D-Ind)  
John Buchanan (R-Ala) George Danielson (D-Cal)  
Ike Skelton (D-Mo)

DATE: October 4, 1978

RECOMMENDED BY: Frank Moore F.M./BR

PURPOSE: To ask their support on the public works veto.

TOPICS OF DISCUSSION: As follow.

None of the following Members have projected appearances by senior Administration officials. We have noted previous appearances below for Fithian and Mazzoli.

5  
Finally agreed to recheck data  
to check stuff  
Sid Yates. Has been with us in the past. This is important to me to continue to be able to provide the leadership necessary to reach a successful conclusion of the Peace Talks. *against Perkins - Voted E Edgar = Brainwashed - Sounds like Bewill & Wright*

Prob  
2 Lafayette Lake  
Floyd Fithian. You were successful with him yesterday on the rule on energy. He is not with us now. He generally responds to economy and good government-type issues. Chip attended Fithian's major fundraiser in Indiana in June (a boat trip for his sponsors' club).  
*wants to kill*

1  
Jim Collins. He has been consistently with us in the past on water policy. He responds to fiscal conservative issues -- avoid the natural gas issue. *Jim free call tomorrow*

3 \*  
John Buchanan. John just survived a tough primary attack from the right. He has been with us on most foreign policy issues and should stay with us.

*Bewill is prob. "Will take another look" (with us on Nat gas)*

★

*Frank see re Africa report?*

5  
Robert Leggett (D-Calif). Congressman, I need your help on sustaining my Public Works veto. I know this is a difficult vote, but I will never forget those that help me win this battle.

*Trip → Africa*

*Nat. gas Rule 1 Bill* 4

3  
Walter Flowers (D-Ala). Walter, you've been a help to me this Congress, and I need your help on sustaining my Public Works veto. I know Cong. Tom Bevill helped you in your campaign but this issue is important to helping curve inflation. Please vote with me; I'll never forget it.

*Will try*

1  
Dale Milford (D-Tex). You can help me more on the Public Works veto than any other vote left this session. It is close, and I know how tough it will be for you, but I will appreciate your support.

*Wright prob. - very difficult*

THE WHITE HOUSE

WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim Free *J.F.*  
Les Francis *Les Francis*

SUBJECT: Requests for Additional Telephone Calls on  
Public Works Appropriations Veto

Your calls to Members of the House are starting to have an effect in that increasing numbers of Members realize the depth of your concerns on this bill and your resolve to see to it that your veto is sustained. Following up on our meeting with you this morning, we are recommending additional calls be made this afternoon or this evening.

Those Members are as follows:

IKE SKELTON (D-Missouri)

3 Skelton has been all over the lot on this issue in the various vote counts we have done. Eagleton is going to help put some pressure on, but a call from you will be particularly helpful. *Jim Free see him*

TOM CORCORAN (R-Illinois)

4 Corcoran is concerned about portions of the bill which cover energy appropriations and needs to be reassured that our quarrel is with the water projects only; not with the energy sections. *Will look again*

ALLEN ERTEL (D-Pennsylvania)

\*  
4 agree on merit. will reevaluate  
Ertel, as you know, was very helpful to us on airline deregulation both in the Committee and in the full House. You should thank him for that support and make special reference to the successful effort on the "reverse burden of proof" amendment which brought the bill closer to our original proposal. He serves on the Public Works Committee and therefore has received advance pressure from his colleagues to vote to override, but you should lean heavily on him to vote with us.

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

*Jim Free*  
JIM FREE  
LES FRANCIS

SUBJECT:

Additional Telephone Calls on Public  
Works Appropriations Veto

AUSTIN MURPHY (D-Pennsylvania)

*VP*  
You should tell Murphy that you realize that this is a hard vote, but you would appreciate it if he would stay uncommitted and, should you need him, vote with you.

DAVID L. CORNWELL (D-Indiana)

*VP*  
Cornwell was with us until about 24 hours ago. He is facing a very tough race and he should be told that supporting this veto will help in his election. He wants to be with us and we think a call from you may change his mind.

BOB YOUNG (D-Missouri)

Young committed to Jim Free, but we have gotten word that he is waivering. You should thank him for his commitment. You know this is a tough issue, and you will appreciate his courageous vote of support.

*(3) Walter*  
*+ Bill Hafner (+ Jones + L.H. Fountain)*  
*Will think over night*  
*2 Sam Devine (Ohio) (Herky) Too much help*  
*for his opponent*

~~JERRY PATTERSON (D-California)~~

~~Patterson has had some concerns regarding a flood control project in his district and wants assurance that OMB will support the project. We have obtained that reassurance and have conveyed this to Patterson's office. Armed with that reassurance, there is no reason why Patterson shouldn't vote with us.~~

ANDY IRELAND (D-Florida)

4 \* Ireland is one of those whose responses to various inquiries on this matter have been inconsistent. Jim Free believes that direct and intense pressure from you can bring him to our side.

*Claims "fiscal responsibility"*

CECIL HEFTTEL (D-Hawaii)

5 \* Hefttel would simply be very impressed to receive a call from the President and should not take very much convincing to vote right.

HAROLD VOLKMER (D-Missouri)

2 → 1 We now have Volkmer as "leaning for" and moving in our direction. Your call could make the move complete.

*next week vote?*

TED RISENHOOVER (D-Oklahoma)

3 → 2 Risenhoover was defeated in his primary and therefore is one of those who will not be returning to the House in January. He is looking for a "future in government". You should indicate to him that a vote for us on this bill will be remembered.

*Cable see him Thurs. a.m.  
(call)*

JOHN WYDLER (R-New York)

Wydler is a "balance the budget/anti-inflation" Republican and appeals to him on these grounds should have a positive effect.

DON MITCHELL (R-New York)

3 An appeal to Mitchell similar to that suggested to Wydler should be equally helpful.

TENNYSON GUYER (R-Ohio)

*Pastor*

2 → 1 Guyer is "persuadable". Again, budgetary and inflation arguments should make the difference.

*Grand Lake St Mergs  
70,000 study*



ED JENKINS (D-Georgia)

Jenkins' position is completely unknown at this time and, while he might be susceptible to peer pressure, we think he would be even more susceptible to a "heavy hit" from you.

L. H. FOUNTAIN (D-North Carolina)

Fountain should be appealed to on the basis of a fellow Southern Democrat who believes in fiscal responsibility and who is concerned about balancing the budget and taking strong action to curb inflation. While he is now listed as leaning against us, you should push him hard to vote to sustain and, furthermore, to speak on our behalf on the floor. Word from the Hill is that a person of Fountain's stature and known philosophy could be pivotal in the final determination of this issue.

FRED RICHMOND (D-New York)

5  
\* Richmond was with us and switched to a "No" after very heavy pressure from Wright and others. Apparently, he has been told that if he and other New Yorkers vote to sustain, it will mean that key urban initiatives will be jettisoned in retaliation. You should reassure Richmond that we will fight just as hard FOR our key urban programs as we have other key issues, including this one.

*Feels very bad - Wants Nat gas /  
Wright to work out a deal*

*Free to see*

3 Ike Skelton. Freshman who has been mixed in his support of the Administration. He may be susceptible to your explanation.

Ron Mazzoli. He wrote you a note this week committing on the gas bill -- reconfirm the rule vote. Ron needs to be persuaded on the merits. He is independent but under heavy pressure from Carl Perkins because of Yatesville. Jack Watson recently attended a major Jefferson County fundraiser for Mazzoli (a last-minute request that we responded to).

2 Jim Leach. Freshman who has been pretty supportive this year. He worked at OEO under the Nixon Administration. Has supported us in the past on the public works fights.

*Will call back if no*

3 \* Adam Benjamin. On Appropriations Committee and under pressure to support the Committee. He feels we are right on the issue. Could be persuaded.

*Reporter was told he would vote to override*

4 George Danielson. Our leader on Ethics -- generally goes with the Speaker on anything but you may persuade him.

*Cy*  
*Sec Council re Lebanon*  
*Nigerians. Smith visa*

HOUSE MEMBERS - TALKING POINTS

U  
3 6-8 projects in district  
Joe Skubitz (R-Kans). Joe, you've voted with me on many issues this Congress but none as fundamentally as important to me as this veto. None of these projects are at the state of construction that they can't be stopped without economic reasons and cost savings. As you end your career as a Member, please help me in reducing federal spending. 34 1/2 years

3. checking E Anderson  
Philip Ruppe (R-Mich). You have been an effective Member of Congress and have helped me previously. I know that a vote with me on Public Works is difficult, but I need your help to stop wasteful government spending. I will personally appreciate it.

1aw  
3.  
3  
Charles Wiggins (R-Calif). During your years in Congress you have always stood for fiscal reason, and I need your help on my Public Works veto. Please vote again to stop wasteful government spending.

3  
Louis Frey (R-Fla). Similar to remarks to Wiggins.

Historically on other side  
1  
Jim Guy Tucker (D-Ark). The Public Works veto is important for me to win. I need your vote. You've been one of my best supporters. When I needed your help, you were there. I need your help to continue at what I think is good for our country.

not called  
?  
James Delaney (D-NY). You've had a great career. You have been a great help to me. I need your help on this issue. My victory on this issue will help me the rest of my term. Bridge - Norfolk Bridge

2 Will try  
Paul Rogers (D-Fla). Paul, I really need your help. To win this fight will help me the rest of my term. Please vote and work with me in an effort to win this fight.

1  
Joseph Le Fante (D-NJ). I need your help on sustaining my Public Works veto. (Le Fante will be going to work for the Governor of New Jersey. He is a party man and has been supportive of the Speaker when asked).

Will break other commitment

THE WHITE HOUSE  
WASHINGTON

10/4/78

Charlie Schultze

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

BUDGET STRATEGY

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 2, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

SUBJECT: Califano's Memorandum on Budget Strategy  
for Fiscal 1980

Secretary Califano's memorandum raises some important questions. I agree that budget restraint should not result in cuts that are programmatically insupportable. But I believe that budget policy plays a more important role in the overall battle against inflation than his memo recognizes.

Budgetary and Economic Developments

The budget planning target of about \$535 billion for FY 1980 outlays was set by you after consultation with all your economic advisers. In the spring, the target had been \$545 billion. Developments since then indicate the need for a lower figure:

First, the fiscal 1979 figure for budget outlays is likely to be around \$490 billion instead of the \$497 billion figure expected last spring, due to a continuation of the shortfall. Maintaining the same percentage increase requires a lower fiscal 1980 target.

Second, the underlying rate of inflation has been creeping up in the past year, quite apart from the influence of food prices and dollar depreciation. The rate of productivity growth has been disappointingly low and the rise of costs correspondingly high. At the same time, the forces behind economic growth are moderating, and unemployment persists at about 6 percent. Under these circumstances, we need to pursue a cautious budgetary and economic policy which:

- o seeks to maintain economic growth near our long-term growth potential of about 3-1/2 percent per year;
- o avoids excessive fiscal stringency that would slow growth to a walk and risk a recession.



As best one can forecast this far in advance, a fiscal 1980 budget incorporating outlays in the neighborhood of \$530-\$535 billion would be consistent with these prudent objectives.

I agree with Secretary Califano that budget stringency itself will not do much to lower the current rate of inflation. But a looser budget would threaten to continue the recent upcreep in the inflation rate, and that in turn could ultimately wreck the chances of achieving all of our economic objectives. Moreover, if we do not adopt a taut budgetary policy our anti-inflation program will be seriously lacking in credibility.

- o Maintaining a target for real growth about in line with the growth of the economy's potential is needed to create a favorable economic environment for a strengthened anti-inflation program. If the economy is too exuberant, our wage-price standards will not be observed.
- o Progress in narrowing the budget deficit is essential to eliciting cooperation of the business community with the anti-inflation program. There is a belief -- rightly or wrongly -- that deficits are the main source of inflation. An anti-inflation program that depends on voluntary cooperation will not work if we ask the private sector to make sacrifices and to take risks, while we do not take the steps they deem essential to dealing with the inflation problem.
- o Progress in narrowing the deficit is likely to be indirectly beneficial to the inflation rate by curbing speculation against the dollar in foreign exchange markets.

If we fail to pursue a prudent course of fiscal policy, the chances are great that the Federal Reserve will feel compelled to follow a much more restrictive course of monetary policy. We may then find it impossible to maintain a real growth rate near our long-term potential.

#### Expenditure Shortfall

In recent years budget projections have overestimated the speed at which a given amount of budget authority is spent. Hence actual budget expenditures have fallen below

Administration projections even though the Congress has not -- on balance -- adopted levels of budget authority more stringent than recommended by the Administration. At the present time the various agencies have planning targets for FY 1980 budget authority which are calculated by OMB to yield \$535 billion in FY 1980 expenditures. Secretary Califano implicitly argues that these expenditure estimates are too high, by about \$10 billion, given the budget authority targets. And so he urges: (1) that agency budget authority targets be lifted by an amount which would produce \$5 billion more expenditures in FY 1980 (i.e., \$540 billion); and (2) that if this is done, actual expenditures in FY 1980 will come in substantially lower, at perhaps \$530 billion. The Secretary does not say whether we should, in January, publish the \$540 or the \$530 billion estimate of expenditures.

When translating their FY 1980 planning targets for budget authority into an expenditure estimate of \$535 billion, OMB already took some account of prior experience with shortfalls. Nevertheless, I think it is quite likely that the planning targets will ultimately translate into even lower expenditure totals. In any event, what we should do is aim for a desirable spending total, using the best estimates we can make of how budget authority is likely to translate into spending. That total ought to be somewhere in the \$530 billion neighborhood. If it should turn out, during the budget process, that the OMB planning targets seem likely to produce expenditure totals substantially below \$530, and if we then decide that is too low, it will be easy to relax a bit, and eliminate some of the most questionable budget cuts. But it would not be desirable to do that now, as Secretary Califano suggests. If you relax the targets at this stage, you will find it much more difficult to reimpose them later, should that be necessary.

I am not in a position to judge whether the OMB targets are excessively tight for HEW, with its large entitlement programs.

#### Across-the Board vs. Specific Cuts

Secretary Califano argues that if the 1980 budget must be very stringent, we should achieve that result, in part at least, by various kinds of across-the-board cuts based on some general approach, rather than by specific targeted cuts. In particular, he argues that Congress will not enact the legislation needed to achieve selective cuts, despite their merits.

On substantive grounds, across-the-board cuts clearly are not desirable because they make no distinction among high and low priority programs. But they may be more realistic politically. An across-the board cut in all cost-of-living escalators and in state and local grants, might conceivably be easier to sell if presented as part of a "year of austerity." Everyone shares; no one is exempt. Hard decisions on who should sacrifice the most are avoided.

While I am not prepared to buy the Secretary's arguments on this point, I think they are at least worth considering. At some early stage in the budget process you may wish to set aside a time to discuss the idea with combination of your political and program advisers.

*Maybe a light  
budget plus across-  
the-board cuts if  
later deemed  
necessary*



ID 784674

THE WHITE HOUSE

WASHINGTON

DATE: 19 SEP 78

FOR ACTION: HAMILTON JORDAN

STU EIZENSTAT

JACK WATSON

JIM MCINTYRE

CHARLIE SCHULTZE

INFO ONLY: THE VICE PRESIDENT

SUBJECT: CALIFANO MEMO RE INFLATION AND THE BUDGET STRATEGY FOR  
FISCAL 1980 -- ADMINISTRATIVELY CONFIDENTIAL

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM THURSDAY 21 SEP 78 +  
+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

9/26 - 530 pm mtg  
- clearing P/10s 9/28  
- Bob S 9/26

nc p/10

attached

1 hold until  
9/25 for comment  
- will comment

attached  
will not have  
detached til 9/28/78

ID 784674

THE WHITE HOUSE

WASHINGTON

*(Jack (has) info copy)*  
*(Tenc action)*

DATE: 19 SEP 78

FOR ACTION ~~SEP 19 1978~~ ~~SEP 19 1978~~ ~~PM 3 27~~

STU EIZENSTAT

JACK WATSON

JIM MCINTYRE

CHARLIE SCHULTZE

INFO ONLY: THE VICE PRESIDENT

SUBJECT: CALIFANO MEMO RE INFLATION AND THE BUDGET STRATEGY FOR  
FISCAL 1980 -- ADMINISTRATIVELY CONFIDENTIAL

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM THURSDAY 21 SEP 78 +  
+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

September 18, 1978

MEMORANDUM FOR THE PRESIDENT

FROM JOE CALIFANO *Joe*

SUBJECT: INFLATION AND THE BUDGET STRATEGY FOR FISCAL 1980

This memorandum urges you -- and the Administration -- to reconsider the FY 1980 budget strategy.

There is no question -- either political or economic -- that we must wage a concerted, successful fight against inflation and that budget policy is an important weapon in that struggle.

But there are substantial questions whether the budget strategy adopted last Spring makes sense in terms of economics, social justice, program efficiency or politics. I believe there are alternative budget strategies that can more effectively achieve the Administration's anti-inflation goals and serve other important objectives as well.

We have followed the Spring budget guidance and last week submitted a proposed 1980 budget that is virtually on the OMB target (\$198.2 billion or \$3.5 billion under projected current services outlays for FY 1980). We are thus fully prepared to follow the budget strategy adopted last Spring if you decide to continue down that path.

I. INFLATION AND THE BUDGET

Inflation -- especially the calendar 1978 projected rate of 8-8½ percent -- is bad and could get worse. As you have made clear to the Administration, this situation is politically and economically insupportable; and as President, you must lead the fight to change it.

Given the current aversion to wage and price controls, you have a limited choice of instruments to fight inflation. The most likely near-term anti-inflation mechanisms are:

- wage price guideposts, supported by such measures as discretionary increases in imports and federal procurement,\*/
- direct price-reducing actions, such as hospital cost containment, removal of excise taxes, changes in social security payroll taxes, and
- aggregate fiscal restraint.

The value of a restrictive fiscal policy in combatting inflation is primarily psychological. According to most major economic models, the deflationary effects of spending reductions are negligible. A \$10 billion cut in federal purchases of goods and services will lower the rate of inflation by only 0.2 percentage points after 9 quarters. The effects of a similar cut in transfer payments are even smaller.

## II. FUNDAMENTAL PROBLEMS WITH THE BUDGET STRATEGY

The decision to give the Departments marks that result in a budgets substantially under current services -- as noted, \$3.5 billion under current outlays in HEW -- presents some obvious problems.

First, many, though not all, of the cuts are hard to defend on programmatic grounds. Let me give just a few examples of the dubious programmatic cuts we have had to make in Social Security programs in order to reach the OMB target (legislation will be required to make the cuts effective):

- We will propose reducing disability benefits up to 20 percent, which will reduce payments to 600,000 beneficiaries in the fiscal year the proposal becomes effective (savings: \$152 million). Although disability benefits should be reduced somewhat, there are non-Draconian methods which we

---

\*/ I was LBJ's enforcer of wage-price guideposts when our 3.2 percent productivity guidepost was higher than the rate of inflation, so workers had real increases in wages. Even then it was tough to enforce and of marginal (though significant) importance. But guideposts that allow no real wage increases, in my judgment, run a very substantial risk of failure.

would prefer and which would not, as this change will, threaten the viability of our whole disability reform package.

- We will propose eliminating the minimum social security benefit for survivors, the disabled and the aged, reducing payments to 2 million present beneficiaries (savings: \$229 million).
- We will propose eliminating the lump sum death benefit, affecting families of 1.3 million beneficiaries in the fiscal year the proposal becomes effective (savings: \$221 million).
- We will propose that social security benefits only become available at the end of the month in which an individual files an application, reducing payments for 2 million beneficiaries in the fiscal year the proposal becomes effective (savings: \$149 million). (At present, individuals receive funds retroactively from the first day of the month in which they apply.)

These kinds of cuts will hurt some of America's most vulnerable citizens. But they are among the least painful alternatives that we considered in attempting to meet the OMB Spring target.

Second, most of these budget cutting proposals -- even some of the cuts that are quite defensible programmatically -- are likely to be rebuffed by the Congress.

The primary problem is that a series of separate and discrete budget cutting proposals -- especially those requiring new legislation -- will be isolated and then defeated by the powerful client groups that have generally made the affected programs untouchable.

As you know, during the Nixon-Ford years, the Executive's proposals to cut back the budget sharply were uniformly rejected by the Congress. Even in the days immediately following passage of Proposition 13, the House passed an HEW-Labor appropriations bill that was some \$500 million over your proposed budget.

Indeed, a key lesson of Proposition 13 may be that a generalized, across-the-board attempt to cut expenditures has a better chance of success than a collection of separate cuts that can be picked off and defeated, one at a time.

Moreover, by proposing some cuts that will be so corrosively unpopular, the Administration may forfeit the opportunity to have a constructive, meaningful dialogue with the Congress on the shape of the Fiscal 1980 budget. The Congress may simply conclude that there is little point in dealing with an Administration that is so Draconian. A change in Administration strategy might well increase ultimate Administration influence.

Although the Administration will be given some credit for attempting to impose a measure of fiscal restraint by a budget that contains innumerable cuts in a variety of programs, in the end many of these proposals are not likely to succeed. Rather than getting ultimate credit for trying to work with the Congress on the anti-inflation front, we run a serious risk of being criticized for trying and failing.

Third, not only are the chances for Congressional success relatively small, but we will be in the wholly unenviable position of making -- and quite possibly losing -- proposals that cut directly against the grain of the interests held by the traditional constituents of the Democratic Party. In HEW, for example, we will be hurting the poor, the aged, minorities, labor -- to name a few obvious groups.

Not only will we invite serious defeats in the Congress, but we may manage to alienate important supportive constituencies in the process.

### III. SUGGESTED CHANGES IN THE BUDGET STRATEGY

We should, of course, continue to press for budget-reducing measures that are directly anti-inflationary (such as hospital cost containment) or that demonstrably improve program operations and that have a reasonable chance of Congressional success (such as our proposal to limit disability insurance benefits to no more than 80 percent of pre-disability earnings). Such measures cannot, however, achieve the total spending reduction required by the OMB target.

I suggest that we initiate serious discussion within the Administration on the desirability of altering, in two respects, the budget strategy as it relates to the Administration's overall anti-inflation effort.

First, and most importantly, we should seek to impose "share-the-pain" reductions that cut across the budget (and across programs) and are, accordingly, less vulnerable to piecemeal attack. Two examples:

- Withholding some portion of cost of living adjustments. Many programs have spending increases indexed to the CPI or other cost or economic factors. (The social insurance programs which are based on taxpayer contributions -- such as Social Security's Old Age and Survivors' benefits -- probably should not be the target of such cuts.)
- Across the board reductions or caps in programs providing aid to States and localities through either automatic program formulas, matching grant provisions or general revenue sharing. These cuts or caps could be defended on the ground that with significant surpluses -- estimated at between \$7-8 billion at present -- States and localities must accept the kind of budget discipline that you are seeking to impose on the Federal government.

Depending on the percentage cuts in cost of living adjustments or in formulas and matching grants, between \$5-10 billion could be cut out of the Federal budget by using this technique.

Although these are not desirable programmatic reforms per se, these across the board cuts have distinct advantages over numerous program-by-program cuts across the whole Federal budget:

- They are more readily understandable to the general population and more dramatically underscore the need for general societal self-discipline to combat inflation.
- They are, in a certain sense, more equitable, as they require sacrifices from broader segments of the population and do not single out for sacrifice special (often vulnerable) interests or groups -- especially the most vulnerable.

- They are somewhat more likely to succeed politically (nothing in this area will be easy), but have the advantage of being less offensive, in a direct and immediate fashion, to a variety of groups and interests that are at the heart of the Democratic coalition.

Second, in light of the significant shortfall in actual outlays compared to outlay estimates in recent fiscal years, we ought to seriously consider whether the FY 1980 budget target should be increased by approximately \$5 billion. At present, OMB is requesting that the Departments and Agencies submit budgets which would yield an outlay estimate of \$535 billion.

The rationale for such a step is as follows:

- CEA has urged holding actual FY 1980 outlays to \$530 billion. Given anticipated economic activity, Federal expenditures at that level would reduce the deficit from \$43-44 billion in 1979 to \$35 billion or less.
- But since enactment of the Congressional Budget Act in 1974, actual outlays have fallen well short (\$10 billion on average in recent fiscal years) of the outlay estimates made at the beginning of the fiscal year on the basis of Congressional action. Although this discrepancy between outlay estimates and actual outlays is not well understood, the pattern seems well established.
- Thus, to hit an actual outlay target of \$530 billion, we should request Congressional action that would yield an outlay estimate of \$540 billion. With the outlay shortfall, we would then be at the CEA's target of \$530 billion for actual outlays in FY 1980.
- Since the present OMB government wide target is for actions that would yield a \$535 billion outlay estimate, we should relax that figure slightly and allow Executive Branch Department's and Agencies a total of \$5 billion in additional requests, thus bringing the government-wide request for Congressional action to \$540 billion.



- To the argument that we should come in low because Congress has historically added to the President's budget, we should counter by saying: Knowing about the shortfall between outlay estimates and actual outlays, Congress in the past has been able to play budgetary games with the President, loading up the budget with actions that increase the estimates and then saying that actual outlays will be no greater than the President's budget request, thus obtaining political advantage without suffering the consequences from correspondingly higher actual spending. This practice must end. Instead the Administration should come in with a very realistic set of requests (given where we want to be with regard to actual outlays) and you should veto virtually anything over that target.

If this readjustment were made, then the Administration could also eliminate some of the more Draconian cuts that will be both unpopular and politically infeasible. And, in my judgment, this readjustment would increase the chances that we could work closely with Congress and enact a budget that approximates the budget you propose in January, 1980.

Both these steps will remedy some of the serious problems presented by the June Budget Strategy and will, at the same time, continue to demonstrate your strong commitment to reducing inflation.

#### IV. NEXT STEP

The development of FY 1980 budget is a critical stage in your Presidency.

With the submission of the proposed budgets by the Departments last week, we are at an appropriate stage to reassess -- from an economic, programmatic and political perspective -- whether we should alter our budget strategy.

As a first step, I suggest an informal meeting with you attended by the Vice President, Mike Blumenthal, Ray Marshall, Charlie Schultze, Jim McIntyre, Bob Strauss, Ham Jordan, Stu Eizenstat, and me to explore the problems with the present strategy and the feasibility and desirability of alternative measures -- such as those outlined above -- to meet your anti-inflation objectives.

\_\_\_\_\_ Approve

\_\_\_\_\_ Disapprove

THE WHITE HOUSE  
WASHINGTON  
September 21, 1978

MEMORANDUM FOR RICK HUTCHESON

FROM: EUGENE EIDENBERG *Gene*

SUBJECT: Califano Memo regarding Inflation  
and FY 1980 Budget Strategy

In Jack's absence (he is out of town today), I want to raise two concerns about the Califano proposal:

1. The assumption that there is a \$7 - 8 billion surplus at the State level is debateable. The President's Economic Message discussed a \$30 billion State and local surplus. Half of it turned out to be committed to pension and other social insurance programs and, hence, not available for operating or program purposes. Of the balance attributed to State government (\$7 - 8 billion) the lion's share was in the California budget and has long since been committed to California local governments following the passage of Proposition 13. In sum, the argument can, and will, be made by Governors that the current effective State surplus situation is near zero.

State operating budget balances have been running at approximately 4 - 5% of total. This is a marginal figure for contingencies including disasters, etc.

2. More significant than an argument over the size of State surpluses is the political and policy effect of adopting the State and local government across the board reduction and/or cap proposal.

At precisely the time when tax and expenditure limitations are being imposed by the voters at the State and local level, the President should not adopt a budget strategy which will place him in the middle of that process. Governors will argue that across the board reductions in aid to States will put further pressure on State and local

taxes. We will face this argument to some extent even by taking a program by program reduction, but across the board reductions and/or caps in State aid can, and will, be interpreted as a national decision to have State and local taxes carry a heavier share of the public service burden.

### Conclusion

In sum, what we need is a mixed strategy. I fully concur with Secretary Califano's assertion that the pain should be shared. State and local government cannot be immune, but our strategy better make clear that the national administration is leading the cutback and is prepared to take the special interest heat --not to deflect it to the States.

CC; Jack Watson



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM MCINTYRE

SUBJECT: Califano memo on inflation and the budget strategy for fiscal 1980

We cannot agree with Secretary Califano's recommendation of September 18 that your 1980 budget strategy be reconsidered. Here are our reactions to each of the Secretary's points:

I. Inflation and the budget

Your economic advisers have already considered thoroughly the points made by the Secretary. The effect of a restrictive fiscal policy on inflation may be small initially, but the cumulative impacts of a series of tight budgets, with appropriately restrained monetary policies, will slow domestic inflation considerably. Moreover, budget restraint is an action you can take. There is a clear consensus that budget restraint is very much desired by the public. Restraint is needed because the economy is approaching the point where capacity shortages will become a problem. Failure to accompany the anti-inflation program with budget restraint would doom the new effort from the start.

II. Fundamental problems with the budget strategy

There is no question but that our planned targets for the 1980 budget will pose problems. The Secretary argues that the cuts he must take will affect the most vulnerable citizens, will be rejected by the Congress, and affect the interests of traditional constituents of the Democratic Party. He also argues that most, though not all, of the cuts HEW has proposed to meet the 1980 budget ceiling it was assigned, are hard to defend on programmatic grounds. The Secretary asserts that an across-the-board strategy would be more attainable, alienate fewer constituents, and permit a more constructive dialogue with Congress.

In my letters to each of the agency heads on the 1980 budget planning ceilings, I asked that budget recommendations represent the most desirable mix of programs and the most politically

attainable way to keep within the ceilings. Surely, reductions that can be defended programmatically are more desirable than arbitrary across-the-board cuts, and they are supportive of both sound budgeting and the philosophy of "sunset" legislation. To be sure, if the restraint is severe, some good but low-priority programs will have to be reduced or eliminated. In such cases, restraint hurts and is very difficult for the Congress to accept. Nonetheless, if a reduction action has merit, then we should be better able to reason with Congress on that proposal than on a proposal on which we are perceived as having no better purpose than simply to reduce budget totals. We very much hope that no one in your Administration would choose to recommend budgets to you that were indefensible; if such recommendations are made, we will ask for others.

### III. Suggested changes in the budget strategy

The Secretary's suggestions hardly support his arguments for an across-the-board approach. He would hold down cost-of-living increases except for programs based on taxpayers' contributions. This would mean legislative actions to cap increases for the food stamp and school lunch programs, and for Federal military and civilian retirement programs. Limits on the food programs would arouse problems like those that he sees for programs that happen to be in the Secretary's Department. Limits on retirement programs may be needed in any case, though we should note that the civilian retirement program is on a contributory basis similar to the social security program.

The Secretary also suggests across-the-board cuts or caps on formula and matching grant programs and on general revenue sharing. This would cut such programs as community development grants, social services, rehabilitation, medicaid and education for the handicapped. The reaction to arbitrary cuts in these programs would certainly provoke the same problems that the Secretary sees in cutting specific programs. While reductions in general revenue sharing might very well be appropriately considered, the reaction will hardly be different. It is difficult to follow the Secretary's logic that argues these decreases would be less Draconian and fairer and more equitable than specific program cuts. We also doubt that they are more likely to succeed politically.

The Secretary suggests a complex way of recognizing the existence of shortfall. He wants to set higher outlay targets (\$540 billion) because we will really come out at \$530 billion. But then he argues that the Administration should have realistic estimates and hold to them. It is difficult to have it both ways. As you know, we have been working very hard to make our estimates as realistic as possible to avoid shortfalls. But raising the budget

totals because we expect shortfalls is not a rational proposition. Moreover, it is not a proposition which is politically sound. Our view is that outlay targets should be tight, in part because there may be a shortfall. If we anticipate the shortfall in our budget; you get the credit. If Congress anticipates the shortfall (as it has this year); Congress gets the credit. I believe the President's budget should be restrictive as an anti-inflation goal. Then the Congress may be persuaded to follow your lead.

#### Recommendation

Implicit throughout Secretary Califano's memorandum is the view that we can achieve budget constraint in some easier way. I want to assure you that we have not perversely chosen a difficult means of accomplishing restraint when a less difficult means exists. We have been examining -- for months -- each of the alternatives the Secretary raises; we've concluded that achieving a substantial deficit decline will require many difficult actions -- including many of those the Secretary recommends. I've never said restraint is easy; I have said that I believe, and I know you do, that it's necessary.

I recommend that you reject the Secretary's suggestions for a change in strategy. If you would like, Charlie Schultze and I will brief him more fully on the status of the Administration's position on economic policy.

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE  
WASHINGTON

10/5/78

Jody Powell  
Frank Moore  
Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson



FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ACTION

FYI

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CONFIDENTIAL

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GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

Last Day - Saturday, October 7

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

*Local PR  
J*

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Enrolled Bill H.R. 8812  
E. C. "Took" Gathings Building  
(Sponsored by Rep. William Alexander,  
D- Arkansas)

THE BILL

The enrolled bill would name a Federal building in Jonesboro, Arkansas, as the "E. C. 'Took' Gathings Building" in honor of Ezekiel Candler Gathings of Arkansas. Gathings represented the First District of Arkansas in the House of Representatives from 1939 to 1969.

VOTES IN CONGRESS

The bill passed the House by unanimous consent and the Senate by voice vote.

AGENCY AND STAFF RECOMMENDATIONS

OMB recommends approval and GSA has no objection. Frank, Anne and I recommend approval.

DECISION

☒ Sign H.R. 8812 (recommended)

☐ Veto H.R. 8812

9:13 AM

THE WHITE HOUSE

WASHINGTON

October 4, 1978

MEETING WITH CONGRESSIONAL CANDIDATE, NICHOLAS MAVROULES

Thursday, October 5, 1978

9:13am (2 minutes)

The Oval Office

From: Frank Moore *F.M. br*

I) PURPOSE

A photo with the President

II) BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Nicholas Mavroules is the Mayor of Peabody and the Democratic candidate for Congress in the 6th District of Massachusetts. This is the seat being vacated by Congressman Michael Harrington. Mayor Mavroules won a three way primary with 44.0%. Mavroulis is far more conservative than Harrington. Harrington endorsed the third place finisher in the primary County Commissioner, John McKean. Airline pilot, William Bronson is the Republican nominee.

The district is the North Shore of Boston. It contains the fishing town of Gloucester as well as Salem and Lynn. The district voted for George McGovern in 1972 and gave you 55% in 1976.

Mavroules, an early Carter supporter, will face a tough race against Bronson. Bronson is a conservative, selected to defeat the liberal Harrington. He will receive a great deal of RNC help. If Mavroules is successful in unifying the party and identifying Bronson as being on the far right he should be the next Congressman from the 6th District.

Stu Eizenstat has agreed to do his large fundraiser at the end of the month.

B. Participants: The President, Frank Moore and Mayor Mavroules

C. Press Plan: White House Photographer

IV) TALKING POINTS

A. Usual courtesies

11:30 AM

THE WHITE HOUSE

WASHINGTON

October 4, 1978

MEETING WITH OPINION LEADERS AND ACTIVISTS  
FROM MICHIGAN

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Thursday, October 5, 1978  
11:30 A.M. (20 minutes)  
Room 450, OEOB

From: Tim Kraft TK

I. PURPOSE

To promote among these Michigan activists a sense of identity with you and your Administration, a sense of a team working together, and a sense of urgency about actively supporting the Administration across the board.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: This is the fifth in a series of meetings for political leaders and activists from the states (New Jersey, Pennsylvania, Louisiana, Oregon).
- B. Participants: state and local officials, labor leaders, party activists and early supporters -- all Democrats. List is attached.
- C. Press Plan: No press.

III. TALKING POINTS

A highlight of the Administration's accomplishments to date, and your present and future priorities.

attachments:

agenda  
guest list

## AGENDA

10:00 A.M.	Welcome	Tim Kraft Assistant to the President
10:10 A.M.	Domestic Policy	Stu Eizenstat Assistant to the President for Domestic Affairs and Policy  and  Anne Wexler Assistant to the President
11:00 A.M.	U. S. Economic Policies in World Context	Robert Strauss Special Representative for Trade Negotiations and Special Counselor on Inflation
11:30 A.M.		President Carter
12:30 P.M.		Buffet Lunch
1:30 P.M.	Foreign Policy	Zbigniew Brzezinski Assistant to the President for National Security Affairs
2:00 P.M.		Hamilton Jordan Assistant to the President
2:30 P.M.		Vice President Mondale

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The morning session will be in Room 450, Old Executive Office Building; lunch will be in the State Dining Room; and the afternoon session in the East Room.

Attendees at the Michigan State Constituents Briefing

Richard Austin - Secretary of State  
Irving Bluestone - UAW  
Bill Faust - Senate Majority Leader  
Joe Forbes - House Majority Leader  
Frank Kelley - Attorney General  
William Marshall - President, AFL-CIO  
Morley Winograd - State Chairman, State Party  
Mayor Coleman Young - Detroit  
Dennis Archer  
Tom Baldini - Attorney; Negaunee  
Robert Battle - UAW, Region 1-A  
Anthony Bielawski - Bay County  
Ivan Bloch  
Horace Brown - Retail Clerks  
Paul Brown - Regent, University of Michigan  
John Bruff  
Elizabeth Burch - Attorney; Dearborn  
Owen Bieber - UAW, Region 1-D  
Lawrence Charfoos  
Clyde Cleveland - Vice Chair, Democratic State Party  
Leon Cohan - Edison  
Norman Crandell - Ford Motor Company  
Malcomb Dade - Administrative Assistant to Mayor Young  
Larry Deitch  
Rosemary DiPonio - State Party Secretary  
Tom Downs  
Eugene Dricker  
Sam Fishman - UAW  
Frank Garrison - UAW staff  
Keith Geiger - President, Michigan Education Association  
Barbara Grossman - Press Secretary, Levin  
Shirley Hall - Democratic National Committee Member  
Grace Hampton - Secretary, State Party  
Harold R. Hayden - Flint County Commissioner  
Jan Heller  
Erma Henderson - Detroit Common Council  
Stu Hertzberg - Attorney; Bloomfield Hills  
Hubert Holley  
Betty Howe  
Marty Hughes  
Barbara Johnson - Livonia

Robert Johnson - AFSCME  
J. Robert Kleiner  
Odessa Komer - UAW - International Vice President  
Jim Kileen - Wayne County Clerk  
Hank Lacayo  
Ralph Liberato  
B. J. McDonald - Battle Creek  
Patrick McCollough - State Senator  
Sylvia McCollough  
Kim Moran - Michigan Federation of Teachers  
Charles Moskowitz  
Robert Nederlander - Regent, University of Michigan  
Robert Nitschke - Vice President, General Motors  
Richard Ochampaugh  
David Olmstead - Attorney; Detroit  
Diane Olmstead  
Eugene Power - Businessman; Ann Arbor  
Phil Power - Publisher  
Sarah Goodard Power - Regent, University of Michigan; UNESCO  
William Rawls - Attorney; Okemos  
Tom Roach - Former Public Service Commissioner; Ann Arbor  
Helen Root - Democratic National Committee Member  
Elena Sanchez - Saginaw  
Michael David Schwartz - Attorney; Sterling Heights  
Herman Shelton - CWA  
Bob Sosnick  
Marc Stepp - UAW  
Don Tucker - Attorney; West Bloomfield  
Roman Ulman - Detroit  
George Watts - Secretary-Treasurer, AFL-CIO  
Bea Williams - Flint  
Jack Woods - Building Trades  
Bard Young - UAW, Region 1-E  
Chuck Younglove - Steelworkers  
George Zeltzer  
Bob Reinschuttle - Staff to assist Bill Faust  
Cindy Hoffman - East Detroit  
Charlie Massoglia - East Lansing  
Bo Winieckie - Saginaw  
Randolph J. Dubitsky - Dearborn

Walter Morrison  
Russell Babcock - Galien  
Roger Bauer - Attorney; Alpena  
Kay Penner  
David Ettinger  
Roderick D. Riggs - Jackson  
Tom Sedgewick - Architect; Flint  
Wayne Parsons - Teacher; Livonia  
Eula Morrison  
Doug Dibbert - Staff of Senator Riegle  
Fred Prime  
Kathleen Aterno - Administrative Assistant to Representative Dave  
Bonior  
Gary Bachula - Staff of Representative Bob Traxler  
Jack Barthwell - Staff of Representative Charles Diggs  
Dennis Herrick - Administrative Assistant to Representative Dale Kildee  
John Phillip Jourdan - Administrative Assistant to Representative Bill  
Brodhead  
William Kirk - Staff of Representative John Conyers  
Bernard F. Lennon - Chairman, 18th Congressional District Democratic  
Party (Blanchard)  
Dona Scott Parker - Attorney  
Robert E. Parker - Attorney  
Charles Prather - District Assistant for Representative John Dingell  
James Pyrros - Administrative Assistant to Representative Lucien Nedzi  
Arnold Schucter - Staff of Representative John Conyers

Expected Guests at Lunch Only:

Senator Donald Riegle  
Representative James Blanchard  
Representative Dave Bonior  
Representative William Brodhead  
Representative Bob Carr  
Representative John Conyers  
Representative Charles Diggs  
Representative John Dingell  
Representative William Ford  
Representative Dale Kildee  
Representative Lucien Nedzi  
Representative Bob Traxler



11:00 pm

9

THE WHITE HOUSE  
WASHINGTON

MEETING WITH CONGRESSMEN ON WESTERN EUROPEAN TRIP

Thursday, October 5  
~~1:00 p.m.~~ 1:05 p.m. (about 5 minutes)  
Small White House Mess

From: Frank Moore  
Zbigniew Brzezinski *MS*

I. PURPOSE

Drop by during Dr. Brzezinski's briefing on his Western European trip. *(That's the official reason).*

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: We have convened these Congressmen in order to brief them on the Western European trip.

B. Participants:

Rep Don Bonker (D-Washington)  
Rep J. Herbert Burke (R-Florida)  
Rep Paul Findley (R-Illinois)  
Rep Sam Gibbons (D-Florida)  
Rep Benjamin Gilman (R-New York)  
Rep Mark Hannaford (D-California)  
Rep Robert Leggett (D-California)  
Rep Mary Rose Oakar (D-Ohio)  
Rep Richard Ottinger (D-New York)  
Rep Leo Ryan (D-California)

WH/NSC Staff: Bob Beckel, Bill Quandt, Jim Thompson,  
Robert Hunter, Madeleine Albright

C. Press Plan: White House Photographer

III. TALKING POINTS

Dr. Brzezinski's trip to Western Europe should be seen as having two purposes:

1. It provided an opportunity to give our key allies, France, Great Britain, and the Federal Republic of Germany, complete background information on the Camp David talks and current developments.

2. It also gave Dr. Brzezinski a chance to consult with President Giscard d'Estaing, Chancellor Schmidt, and Prime Minister Callaghan about SALT and other nuclear issues of mutual interest.

Such high level meetings are part of our regular consultation process which we believe facilitates joint decisionmaking.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

EYES ONLY

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*  
Subject: September Producers Price Index (to be  
released at 9:30 a.m., tomorrow)

After three months of relatively good performance, the producers price index for finished goods rose 0.9 percent in September (11.4 percent at an annual rate). Consumer finished foods rose 1.7 percent; other finished goods by 0.6 percent.

The main culprit in the food price rise was meat. Wholesale beef and veal prices rose 5.4 percent, and the larger category "meats, poultry and fish" rose 3.1 percent. Beef and veal prices are still below their price highs. Live cattle prices, after falling from about \$60 to a \$52 average in August rose to \$55 in mid-September.

Outside of food, producer goods prices are continuing along recent trends. Over the past three months nonfood prices rose at an annual rate of 7.4 percent; in September they were 7.6 percent above a year earlier.

In short, outside of food the latest data confirm a rise in the underlying rate of inflation to the 7-1/2 percent neighborhood. Fluctuations in food prices from month to month give us overall results which are sometimes better and sometimes worse than that.

9:15 AM

THE WHITE HOUSE

WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore *2 m.*  
Jim Free *DF.*

SUBJECT: ENERGY BREAKFAST - OCTOBER 5, 1978  
Family Dining Room 8 - 10 a.m.

Table No. 1

Chairman William Miller  
Jim Free  
Herbert Harris

Table No. 2

Ambassador Strauss  
Mr. Lyn Coleman (General Counsel  
Department of  
Energy)

Table No. 3

Mr. Jack O'Leary (Deputy Secretary  
to Secretary  
Schlesinger)

Terry Straub  
Valerie Pinson

Table No. 4

Secretary Schlesinger  
Bill Cable

Table No. 5

Frank Moore  
Les Goldman (Department of Energy)  
Rich Wright (Department of Energy)

REPUBLICAN MEMBERS OF CONGRESS WHO WILL BE ATTENDING

1. BUCHANAN, John (R-Alabama)
2. BURKE, Herbert (R-Florida)
3. CARTER, Tim Lee (R-Kentucky)
4. CLAUSEN, Don (R-California)
5. CONABLE, Barber (R-New York)
6. CONTE, Silvio (R-Massachusetts)

7. COUGHLIN, Lawrence (R-Pennsylvania)
8. CUNNINGHAM, John (R-Washington)
9. DERWINSKI, Edward (R-Illinois)
10. DUNCAN, John (R-Tennessee)
11. EMERY, David (R-Maine)
12. FRENZEL, Bill (R-Maine)
13. FREY, Lou (R-Florida)
14. GILMAN, Benjamin (R-New York)
15. HECKLER, Margaret (R-Massachusetts) late arrival
16. HOLLENBECK, Harold (R-New Jersey)
17. HOLT, Marjorie (R-Maryland)
18. JEFFORDS, James (R-Vermont)
19. KASTEN, Robert (R-Wisconsin)
20. LEACH, Jim (R-Iowa)
21. LENT, Norman (R-New York)
22. MCCLOSKEY, Paul (R-California)
23. MARKS, Marc (R-Pennsylvania)
24. MARTIN, Jim (R-North Carolina)
25. MILLER, Clarence (R-Ohio)
26. PRITCHARD, Joel (R-Washington)
27. RINALDO, Matthew (R-New Jersey)
28. RUPPE, Philip (R-Michigan)
29. SAWYER, Harold (R-Michigan)
30. SCHULZE, Richard (R-Pennsylvania)
31. SEBELIUS, Keith (R-Kansas)
32. SKUBITZ, Joe (R-Kansas)
33. SYNDER, Gene (R-Kentucky)
34. YOUNG, Bill (R-Florida)
35. YOUNG, Don (R-Alaska)

Talking Points are attached.

TALKING POINTS FOR MEETING  
WITH REPUBLICAN MEMBERS OF CONGRESS

1. I appreciate the interest and concern which your presence here today demonstrates about the urgency of adopting a national energy policy. Whether or not we can enact a framework for dealing with our energy future is going to depend in large part on the actions which you in the House take over the next ten days. I am asking for your help and support in sending a package of energy legislation to my desk. Natural gas pricing policy, conservation, coal conversion, utility rate reform, and certain tax measures are essential if we are to show our own people, and our allies abroad, that our government can come to grips with this complex, but urgent problem.
2. While different from the legislation which I submitted for Congressional consideration in April, 1977, I believe that the bills which the Congress has now come so close to enacting are a sound and fair step. They reflect substantial bipartisan effort and they reflect compromise between widely divergent interests.
3. I know that you will want to pay special attention to the natural gas part of this package, and there are several specific points which I would ask you to bear in mind:
  - It provides substantial new incentives, both in increased prices and in removing burdensome non-price regulations, for new gas production which will spur increased drilling, exploration, and production.
  - By combining the interstate and intrastate markets for new gas, it will assure that consuming states are not continually starved for gas supplies while gas is being shut in in the producing states. Critical sectors of American industry, particularly in the midwest, need this gas to meet essential uses and to avoid paying the costs of higher priced foreign oil.
  - After 1985, new gas prices will be deregulated, and in the interim producers will have stability, predictability and certainty. While not unanimous, many natural gas producers, large and small, believe that this bill is fair and workable, -- and they are supporting it.
  - Many have expressed concern about the incremental pricing provisions, which puts much of the burden of initial price increases on large industrial boiler users. While it is true that their costs for natural gas are going up -- as they would even under the current system -- costs to industry will

still be well below the costs of replacement fuels.

4. Enactment of the natural gas bill, and the other parts of the energy plan, are essential to the economic health and well-being of our industries and our consumers. Control of inflation, secure supplies of energy, and a healthy balance of trade will be much aided by positive Congressional action on energy. The bill will also help us demonstrate to our allies abroad, many of whom have been skeptical about our ability to act, that the U.S. can and will begin to prepare for its energy future. This in turn will help stabilize the dollar, whose depreciation over the last year has contributed significantly to domestic inflation.
5. Finally, I would like to stress the need to continue to deal with energy legislation as a package. The House, in its original consideration of this bill, recognized the interrelationship of the many aspects of energy policy. Instead of being broken into pieces, the House dealt with this issue as a whole. I believe that this is the proper way for the House to complete Congressional action on the energy bill, so in addition to asking for your support on the merits of the Conference Reports, I am also asking for your help on the rule which will permit unified and prompt action on this essential issue.

THE WHITE HOUSE  
WASHINGTON

October 5, 1978

Jody Powell

Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson



	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
/	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
/	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

ok  
J

HUMPHREY HAWKINS STATEMENT

Every American who cares about justice in our society joins me in congratulating the Congress for its action on the Humphrey-Hawkins <sup>full employment</sup> bill. With the Senate's vote today, we have moved closer to the day when all our people will enjoy the right to self-sufficiency through decent, productive jobs in our free economy.

The Humphrey Hawkins approach is an important part of keeping our economy strong, for it will carry out its commitment in reasonable, responsible ways. By setting targets for the balanced, non-inflationary growth of our economy and improving the way we set economic policy, it brightens the prospects for steady growth and shared prosperity in the years ahead.

This bill would never have been possible without the

determination of Representative Gus Hawkins, nor without the vision of one of America's greatest statesmen, Senator Hubert Humphrey. Senator Muriel Humphrey, who has ably carried on in her husband's tradition, also deserves our thanks -- as do Majority Leader Robert Byrd, Chairman Harrison Williams of the Human Resources Committee, and Senator Gaylord Nelson, Chairman of the Employment Subcommittee. ~~/Proxmire/~~ The Congressional Black Caucus, under the leadership of Parren Mitchell, and the Full Employment Action Council, directed by Coretta Scott King, and Murray Finley have my personal admiration for their tireless support of a bill that will benefit all Americans.

# # #

THE WHITE HOUSE  
WASHINGTON

October 5, 1978

Mr. President--

Attached is a draft statement on  
Humphrey-Hawkins.

Jerry Rafshoon

*oh - Be  
Sure to wait  
for the vote  
J*

TWO DAYS AGO, I SAID THAT MY CONCERN ABOUT INFLATION, AND MY  
DETERMINATION TO REDUCE WASTEFUL GOVERNMENT SPENDING, WOULD COMPEL ME  
TO VETO THE PUBLIC WORKS APPROPRIATION BILL.

IN JUST A MOMENT, I WILL SIGN THIS MESSAGE TO THE CONGRESS AND  
THEREBY VETO THE BILL. *Not enjoy. Deep commitment.  
will have to continue if necessary*

AS I SAID ON TUESDAY, THERE HAS NEVER BEEN A QUESTION OF THE NEED  
TO DEVELOP OUR ENERGY AND WATER RESOURCES. THE QUESTION IS ONE OF  
FISCAL RESPONSIBILITY, EQUITY AND RESTRAINT.

I URGE EACH MEMBER OF CONGRESS TO SUPPORT MY VETO AND WORK WITH  
ME IMMEDIATELY TO DEVELOP A RESPONSIBLE BILL--ONE THAT WILL GIVE OUR  
NATION THE ENERGY AND WATER PROJECTS WE ACTUALLY NEED, AT A COST  
WE CAN AFFORD.

Fallows  
10/4/78

ok  
J

Two days ago, I said that my concern about inflation, and my determination to reduce wasteful government spending, would compel me to veto the public works appropriation bill.

In just a moment, I will sign this Message to the Congress and thereby veto the bill.

As I said on Tuesday, there has never been a question of the need to develop our energy and water resources. The question is one of <sup>fiscal</sup> responsibility, <sup>equity</sup> and restraint.

I urge each member of Congress to support my veto and work with me <sup>immediately</sup> to develop a responsible bill--one that will give our nation the energy and water projects we <sup>actually</sup> need, at a cost we can afford.

# # #

THE WHITE HOUSE

WASHINGTON

October 5, 1978

Mr. President--

The present plan is to bring in the cameras when you sign your veto message.

Attached are some paragraphs that you could use if you want to make a statement at that time.

Jerry Rafshoon

THE WHITE HOUSE  
WASHINGTON

10/5/78

Jody Powell  
Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson



ACTION

FYI

*Past*  
*rush*

FOR STAFFING

FOR INFORMATION

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LAST DAY FOR ACTION

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE

WASHINGTON

October 5, 1978

Mr. President--

Attached is a draft statement for use when  
and if we win the veto override vote.

Jerry Rafshoon

C. Conner  
10/4/78

*Just issue  
written one  
OK  
J*

VETO OVERRIDE VOTE MESSAGE

We took a long step in the battle against inflation  
this afternoon. The nation owes a debt to the Congress for  
its wise and responsible action, <sup>and</sup> I congratulate the <sup>Members</sup> Congress  
<sup>of Congress</sup> for setting an example of <sup>fiscal responsibility</sup> ~~restraint~~ for the American people.

As I said earlier this week, there has never been a  
question of the need to develop our energy and water  
resources. The question is one of restraint -- of staying  
within our budget.

I will work with the Congress to develop a bill that  
provides the energy and water projects we need -- and can  
afford.

I will cooperate in every way I can.

The hard work and dedication that went into the  
original legislation will not be wasted. We want the Public

Works Appropriations Bill this year. Working together,  
the Congress and the Administration will be able to agree  
promptly on legislation that protects our citizens from  
the devastation of drought and floods, that channels water  
from resource-rich to resource-poor areas, that develops  
our necessary energy resources.

It will be a good <sup>and</sup> ~~bill. It will be a~~ responsible  
bill. The Congress and the Administration will be able to  
take pride in meeting the nation's needs while holding the  
line against inflation.

Again, I congratulate the Congress for the vision  
and wisdom displayed in this critical vote today.

# # #

THE WHITE HOUSE  
WASHINGTON

10/5/78

Jody Powell  
Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Frank Moore

ACTION  
Last Day: Saturday, October 7

THE WHITE HOUSE

WASHINGTON

October 5, 1978

PR  
J

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT  
FRANK WHITE

Sta

SUBJECT: Enrolled Bill H.R. 12508 --- Immigration and  
Naturalization of Adopted Alien Children

THE BILL

Existing immigration statutes relating to the entry and naturalization of alien children adopted or prospective adoptive children by U.S. citizens have been unduly restrictive. This bill would establish fairer and more uniform procedures for admission of such children and would make them eligible for naturalization on the same basis as natural born children of naturalized aliens. It should significantly reduce the volume of private bills sought by these families.

VOTES IN CONGRESS

Senate by voice vote; House by vote of 413 - 0.

AGENCY AND STAFF RECOMMENDATIONS

Justice, State, and OMB recommend approval. Frank Moore, Bob Lipshutz, and I recommend that you sign the bill. Other senior staff have expressed no objection.

DECISION

☒ Sign H.R. 12508

☐ Veto H.R. 12508

THE WHITE HOUSE  
WASHINGTON  
Oct. 5, 1978

Jim McIntyre

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the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hatcheson

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	KRAFT
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	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
/	MCINTYRE
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	FIRST LADY
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	MOE
	PETERSON
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	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

4 OCT 1978

*cc Jim -  
I presume that  
Congress has our  
analysis of the  
differences  
J.C.*

INFORMATION

MEMORANDUM FOR: THE PRESIDENT  
FROM: James T. McIntyre, Director *Jim*  
SUBJECT: Second Budget Resolution

The Second Budget Resolution calls for a deficit of \$38.8 billion in 1979, \$21.7 billion less than the January budget. Virtually all this decrease is due to reestimates of spending rates and the smaller tax cuts that you proposed in May. The resolution does assume spending cuts in some Administration requests, notably the urban initiative and training. These cuts are offset by higher outlays for congressional initiatives such as transportation (highways and mass transit), energy, water resources and conservation, income security, and veterans.

A table showing the major differences between the Administration and resolution estimates, and a brief description of the key assumptions underlying the resolution are attached.

Attachments

cc: The Vice President

MAJOR ASSUMPTIONS IN THE SECOND BUDGET  
RESOLUTION FOR 1979

Tax policy.--The Resolution total for receipts is \$8.2 billion above the January budget and \$0.5 billion above our Mid-Session Review estimate. In the view of the Senate Budget Committee, the Resolution assumes a tax cut of \$19.4 billion in calendar 1979 - the same as the Administration proposal. However, the fiscal year impact of the tax cut is assumed to be only \$12.5 billion, compared to the \$14.1 billion assumed in our estimates. The Resolution allowance for all other tax changes, such as the tuition and employment tax credits and energy taxes, is about \$1 billion larger than the Administration total.

Outlay reestimates.--The revised estimates we issued in July included downward outlay reestimates of \$6.5 billion. The Resolution includes further reestimates of about \$8 billion. OMB is likely to agree with about half of this amount. We disagree with their downward reestimate of interest (-\$1.1 billion). In fact, we believe that interest costs may exceed the Resolution estimate by over \$2.5 billion. We are also dubious about their estimates for HEW and Defense. In the case of HEW, the Resolution assumes an arbitrary \$1.0 billion cut in outlays from the reduction of waste, fraud and abuse. The Resolution also assumes that a voluntary program of health cost containment will result in the same \$700 million savings in 1979 as the mandatory program proposed by the Administration. For defense, the Resolution assumes further shortfall (\$1.3 billion below our July estimates and \$4.3 billion below the January budget).

Substantive Differences and Long Term Implications.--The Resolution assumptions eliminate most of the urban initiatives including the National Development Bank and State incentive grants. The House believes that the Resolution could accommodate \$0.7 billion of the \$1.0 billion in budget authority you requested for labor-intensive public works. The Senate allocates a similar amount for disaster relief rather than public works. Even under the House interpretation, the total budget authority for urban initiatives is \$4.6 billion below the Administration request of \$5.9 billion.

The Resolution also assumes cuts in employment, training, and foreign aid (largely multilateral assistance). The 1979 outlay savings resulting from these cuts are more than

offset by spending increases for transportation, natural resources, income security (including either an expansion of the earned income credit or fiscal relief to States and localities) and veterans.

Even though the discretionary outlay cuts assumed in the Resolution largely offset the outlay increase in 1979, it is not clear that this implies a reduction in future year deficits. The substantial reduction in budget authority -- \$16 billion below our July estimates -- includes many cuts that have little effect on the deficit. For example:

- A \$5.4 billion cut in budget authority for the taxable bond option. The spending associated with this proposal in future years would be largely offset by higher receipts.
- The Resolution assumes a variety of reestimates and changes in financing -- such as rejection of advance funding for education and health and full funding for water resources projects. Many of these cuts -- which reduce budget authority by at least \$5 billion -- will have to be restored in later years and most will not affect future outlays.
- Some of the program cuts assumed in the resolution, such as those for urban initiatives and training programs, will reduce spending in future years. However, these assumed reductions are more than offset by the long-range costs of pending increases that could be accommodated under the resolution:
  - . Transportation around \$1.5 billion in 1982.
  - . Veterans benefits of \$800 million in 1981, \$900 million in 1982, etc.
  - . Other program increases of \$1.8 billion will tend to raise base levels, adding even more in later years.

CHANGES IN THE 1979 BUDGET  
(in billions of dollars)

	Budget authority	Outlays	Receipts	Deficit
<u>January budget</u> .....	569.1	501.0	440.5	-60.5
Changes in the Administration estimates:				
Policy changes:				
Delayed, smaller tax cuts.....	---	---	10.9	10.9
Urban initiatives.....	5.9	1.0	-0.2	-1.2
Farm bill.....	---	0.5	---	-0.5
Other policy changes, net.....	1.2	0.6	-0.8	-1.4
Reestimates:				
Defense.....	---	-3.0	---	3.0
Taxable bond option.....	-1.8	*	---	*
Other reestimates, net.....	-3.0	-3.5	-2.1	1.4
<u>July Administration estimate</u> .....	571.4	496.6	448.2	-48.5
Changes in the Second Budget Resolution:				
<u>Reestimates and technical changes:</u>				
Defense (OMB may not agree)....	-0.1	-1.3	---	1.3
Interest (OMB disagrees).....	-1.1	-1.1	---	1.1
Technical funding changes, net.	-2.9	---	---	---
Other (OMB likely to agree)....	-1.5	-4.7	-0.2	4.5
HEW waste and fraud (a doubt- ful cut).....	---	-1.0	---	1.0
<u>Major cuts:</u>				
Deletion of taxable bond option	-5.4	-0.1	---	0.1
Urban initiatives (House view).	-4.6	-0.8	---	0.8
Foreign aid.....	-1.1	-0.2	---	0.2
Training and employment.....	-0.7	-0.7	---	0.7
<u>Major increases:</u>				
Transportation.....	1.4	0.6	---	-0.6
Energy, water resources, etc...	1.7	0.6	---	-0.6
Income security.....	0.6	1.1	---	-1.1
Veterans benefits.....	0.7	0.5	---	-0.5
<u>Other changes:</u>				
Smaller tax cut in FY 1979.....	---	---	1.6	1.6
Other taxes and energy rebates.	-1.4	-1.4	-0.9	0.5
All other changes, net.....	-1.4	-0.6	---	0.6
<u>Second Resolution totals</u> .....	555.65	487.5	448.7	-38.8

\* Less than \$50 million

September 29, 1978

THE WHITE HOUSE

WASHINGTON

October 3, 1978

*Statement  
ok.  
(one typo)  
Held it -  
J*

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT *Stu*  
KATHY FLETCHER

SUBJECT: Enrolled Bill H. R. 12928 -- Energy  
and Water Development Appropriation  
Act, 1979

This memorandum is being sent to you before the actual enrolling of the bill so that if the bill is vetoed it can be done so promptly. The last day for action has not yet been established. is October 10.

THE BILL

This appropriations bill -- which nominally falls below your Budget request for FY 1979 -- differs substantially from the Administration's position on water project funding. When put on a comparable basis, the energy appropriations are very close to your Budget with the exception of the Clinch River Breeder Reactor funding which we hope will be resolved in the context of the pending Department of Energy authorization bill.

However, the water projects funded in this bill exceed your recommendations by \$1.8 billion. This increase is due to:

- 27 new construction starts in excess of your recommended 26 new starts. The total cost of these 27 is \$1.2 billion. The bill also rejects the concept of full-funding for new starts.
- Reinstatement of six projects terminated last year which if built would cost more than \$580 million. Three of the projects are funded for construction and three for study.
- In addition, construction schedules for 15 ongoing projects have been accelerated with outlay appropriations in excess of your request.

There are two other major problems in the water portion of the bill:

- Termination of the Water Resources Council.
- Mandated hiring of 2,300 additional employees in the Corps of Engineers and the Bureau of Reclamation.

The Administration's objections to the bill are well-known and staff have already undertaken major efforts to lay the groundwork for a possible veto.

VOTES IN CONGRESS (Conference Report)

House: 319-71

Senate: 86-9

ARGUMENTS FOR VETO

- A veto is necessary if the Administration intends to pursue its efforts to reform water policy.
- A veto will be a good example of the Administration's efforts to hold down Federal spending and growth of the bureaucracy.
- There is substantial support in the Congress for a veto.

ARGUMENTS FOR SIGNING

- Sponsors of the legislation and most of the leadership of the Congress would like to avoid further confrontation on this issue.
- Success on this bill is less important than success on the energy legislation and to the extent there is linkage, vetoing this bill may have an adverse impact on the energy bill (preliminary head counts show that this is not a significant problem, however).

AGENCY AND STAFF RECOMMENDATIONS

OMB, Interior and Army recommend a veto. Energy has not taken a position but has been actively involved in the planning for a potential veto.

Senior staff recommend a veto and have worked under Anne Wexler's coordination to prepare for this eventuality.

A veto message is in preparation and will be submitted for your approval when the bill is actually enrolled. We anticipate that a veto would occur on or about Thursday, October 5, if you decide to veto the bill.

DECISION

\_\_\_\_\_  
Sign H. R. 12928

\_\_\_\_\_  
Veto H. R. 12928

THE WHITE HOUSE  
WASHINGTON

Frank  
J



THE WHITE HOUSE

WASHINGTON

CONGRESSIONAL TELEPHONE CALLS

TO: Sid Yates (D-Ill) Ron Mazzoli (D-Ky)  
Floyd Fithian (D-Ind) Jim Leach (R-Iowa)  
Jim Collins (R-Tx) Adam Benjamin (D-Ind)  
John Buchanan (R-Ala) George Danielson (D-Cal)  
Ike Skelton (D-Mo)

DATE: October 4, 1978

RECOMMENDED BY: Frank Moore F.M./BR

PURPOSE: To ask their support on the public  
works veto.

TOPICS OF  
DISCUSSION: As follow.

None of the following Members have projected appearances  
by senior Administration officials. We have noted  
previous appearances below for Fithian and Mazzoli.

5  
Finally agreed  
to recheck data  
& stuff  
Prob  
2 Lafayette  
Lake  
wants to kill  
1  
3 \*

Sid Yates. Has been with us in the past. This is important  
to me to continue to be able to provide the leadership  
necessary to reach a successful conclusion of the Peace  
Talks. *against Perkins - Voted E Edgar =  
Brainwashed - Sounds like Bevill & Wright*

Floyd Fithian. You were successful with him yesterday on  
the rule on energy. He is not with us now. He generally  
responds to economy and good government-type issues.  
Chip attended Fithian's major fundraiser in Indiana in  
June (a boat trip for his sponsors' club).

Jim Collins. He has been consistently with us in the past  
on water policy. He responds to fiscal conservative  
issues -- avoid the natural gas issue.

John Buchanan. John just survived a tough primary attack  
from the right. He has been with us on most foreign  
policy issues and should stay with us.

*Bevill is prob. "Will take another  
(with us on Nat gas) look"*

*Jim Free call tomorrow*

★ *Frank see re Africa report?*  
5 Robert Leggett (D-Calif). Congressman, I need your  
help on sustaining my Public Works veto. I know  
this is a difficult vote, but I will never forget  
those that help me win this battle.

*Trip → Africa*

*Nat. gas Rule ' Bill* #

3 Walter Flowers (D-Ala). Walter, you've been a help to  
me this Congress, and I need your help on sustaining  
my Public Works veto. I know Cong. Tom Beville helped  
you in your campaign but this issue is important to  
helping curve inflation. Please vote with me; I'll  
never forget it.

*Will try*

1 Dale Milford (D-Tex). You can help me more on the Public  
Works veto than any other vote left this session.  
It is close, and I know how tough it will be for you,  
but I will appreciate your support.

*Wright prob. - very difficult*

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

Jim Free *J.F.*  
Les Francis *Les Francis*

SUBJECT:

Requests for Additional Telephone Calls on  
Public Works Appropriations Veto

Your calls to Members of the House are starting to have an effect in that increasing numbers of Members realize the depth of your concerns on this bill and your resolve to see to it that your veto is sustained. Following up on our meeting with you this morning, we are recommending additional calls be made this afternoon or this evening.

Those Members are as follows:

IKE SKELTON (D-Missouri)

3 Skelton has been all over the lot on this issue in the various vote counts we have done. Eagleton is going to help put some pressure on, but a call from you will be particularly helpful. *Jim Free see him*

TOM CORCORAN (R-Illinois)

4 Corcoran is concerned about portions of the bill which cover energy appropriations and needs to be reassured that our quarrel is with the water projects only; not with the energy sections. *Will look again*

ALLEN ERTEL (D-Pennsylvania)

\*  
4 agree on merit.  
will reevaluate  
Ertel, as you know, was very helpful to us on airline deregulation both in the Committee and in the full House. You should thank him for that support and make special reference to the successful effort on the "reverse burden of proof" amendment which brought the bill closer to our original proposal. He serves on the Public Works Committee and therefore has received advance pressure from his colleagues to vote to override, but you should lean heavily on him to vote with us.

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

*Jim Free*  
JIM FREE *J.F.*  
LES FRANCIS

SUBJECT: Additional Telephone Calls on Public  
Works Appropriations Veto

*VP*  
AUSTIN MURPHY (D-Pennsylvania)

You should tell Murphy that you realize that this is a hard vote, but you would appreciate it if he would stay uncommitted and, should you need him, vote with you.

*VP*  
DAVID L. CORNWELL (D-Indiana)

Cornwell was with us until about 24 hours ago. He is facing a very tough race and he should be told that supporting this veto will help in his election. He wants to be with us and we think a call from you may change his mind.

BOB YOUNG (D-Missouri)

Young committed to Jim Free, but we have gotten word that he is waivering. You should thank him for his commitment. You know this is a tough issue, and you will appreciate his courageous vote of support.

*(1) Walter*  
*+ Bill Hafner (+ Jones + L.H. Fountain)*  
*Will think overnight*  
*2 Sam Devine (Ohio) (Herky) Too much help*  
*for his opponent*

~~JERRY PATTERSON (D-California)~~

~~Patterson has had some concerns regarding a flood control project in his district and wants assurance that OMB will support the project. We have obtained that reassurance and have conveyed this to Patterson's office. Armed with that reassurance, there is no reason why Patterson shouldn't vote with us.~~

ANDY IRELAND (D-Florida)

4 \* Ireland is one of those whose responses to various inquiries on this matter have been inconsistent. Jim Free believes that direct and intense pressure from you can bring him to our side.

*Claims "fiscal responsibility"*

CECIL HEFTEL (D-Hawaii)

5 \* Heftel would simply be very impressed to receive a call from the President and should not take very much convincing to vote right.

HAROLD VOLKMER (D-Missouri)

2 → 1 We now have Volkmer as "leaning for" and moving in our direction. Your call could make the move complete.

*next week vote?*

TED RISENHOOVER (D-Oklahoma)

3 → 2 Risenhoover was defeated in his primary and therefore is one of those who will not be returning to the House in January. He is looking for a "future in government". You should indicate to him that a vote for us on this bill will be remembered.

*Cable see him Thurs. a.m.  
(call)*

JOHN WYDLER (R-New York)

Wydler is a "balance the budget/anti-inflation" Republican and appeals to him on these grounds should have a positive effect.

DON MITCHELL (R-New York)

3 An appeal to Mitchell similar to that suggested to Wydler should be equally helpful.

TENNYSON GUYER (R-Ohio)

*Pastor*

2 → 1 Guyer is "persuadable". Again, budgetary and inflation arguments should make the difference.

*Grand Lake St Marys  
70,000 study*

ED JENKINS (D-Georgia)

Jenkins' position is completely unknown at this time and, while he might be susceptible to peer pressure, we think he would be even more susceptible to a "heavy hit" from you.

L. H. FOUNTAIN (D-North Carolina)

Fountain should be appealed to on the basis of a fellow Southern Democrat who believes in fiscal responsibility and who is concerned about balancing the budget and taking strong action to curb inflation. While he is now listed as leaning against us, you should push him hard to vote to sustain and, furthermore, to speak on our behalf on the floor. Word from the Hill is that a person of Fountain's stature and known philosophy could be pivotal in the final determination of this issue.

FRED RICHMOND (D-New York)

5  
\* Richmond was with us and switched to a "No" after very heavy pressure from Wright and others. Apparently, he has been told that if he and other New Yorkers vote to sustain, it will mean that key urban initiatives will be jettisoned in retaliation. You should reassure Richmond that we will fight just as hard FOR our key urban programs as we have other key issues, including this one.

*Feels very bad - Wants Nat gas /  
Wright to work out a deal*

*Free to see*

3

Ike Skelton. Freshman who has been mixed in his support of the Administration. He may be susceptible to your explanation.

Ron Mazzoli. He wrote you a note this week committing on the gas bill -- reconfirm the rule vote. Ron needs to be persuaded on the merits. He is independent but under heavy pressure from Carl Perkins because of Yatesville. Jack Watson recently attended a major Jefferson County fundraiser for Mazzoli (a last-minute request that we responded to).

2

Jim Leach. Freshman who has been pretty supportive this year. He worked at OEO under the Nixon Administration. Has supported us in the past on the public works fights.

*Will call back if no*

3 \*

Adam Benjamin. On Appropriations Committee and under pressure to support the Committee. He feels we are right on the issue. Could be persuaded.

*Reporter was told he would vote to override*

4

George Danielson. Our leader on Ethics -- generally goes with the Speaker on anything but you may persuade him.

*Cy*

*Sec Council re Lebanon  
Nigerians. Smith visa*

HOUSE MEMBERS - TALKING POINTS

*6-8 projects in district*  
*3*  
Joe Skubitz (R-Kans). Joe, you've voted with me on many issues this Congress but none as fundamentally as important to me as this veto. None of these projects are at the state of construction that they can't be stopped without economic reasons and cost savings. As you end your career as a Member, please help me in reducing federal spending.

*34 1/2 years*

*3. checking Anderson*  
Philip Ruppe (R-Mich). You have been an effective Member of Congress and have helped me previously. I know that a vote with me on Public Works is difficult, but I need your help to stop wasteful government spending. I will personally appreciate it.

*law*  
*3.*  
*3*  
Charles Wiggins (R-Calif). During your years in Congress you have always stood for fiscal reason, and I need your help on my Public Works veto. Please vote again to stop wasteful government spending.

*3*  
Louis Frey (R-Fla). Similar to remarks to Wiggins.

*Historically on other side*

*1*  
Jim Guy Tucker (D-Ark). The Public Works veto is important for me to win. I need your vote. You've been one of my best supporters. When I needed your help, you were there. I need your help to continue at what I think is good for our country.

*Bridge - North Lake Norfolk bridge*

*not called*  
James Delaney (D-NY). You've had a great career. You have been a great help to me. I need your help on this issue. My victory on this issue will help me the rest of my term.

*2 will try*  
Paul Rogers (D-Fla). Paul, I really need your help. To win this fight will help me the rest of my term. Please vote and work with me in an effort to win this fight.

*1*  
Joseph Le Fante (D-NJ). I need your help on sustaining my Public Works veto. (Le Fante will be going to work for the Governor of New Jersey. He is a party man and has been supportive of the Speaker when asked).

*Will break other commitment*



12:15 PM

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 4, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CCS</sup>

Subject: Background for the Meeting of the Quadriad  
on October 5

Continuing inflation, slowing real growth, and the depreciation of the dollar pose difficult problems for monetary and fiscal policy. This meeting provides an opportunity to probe the thinking of Chairman Miller about the economic outlook and appropriate policies. Attached is a proposed agenda which I have circulated to Chairman Miller and the others attending the meeting.

I. Recent Economic Developments and the Outlook

A. Recent Developments -- An Overview

Economic growth has slowed since May but seems likely to remain near 3-1/2 percent during the second half of this year. (The preliminary, never published, estimate of real growth in the third quarter is a 3.2 percent annual rate).

- o In retail markets, unit sales of automobiles have fallen a bit since May, and other categories of retail sales have failed to keep pace with the rise in consumer prices.
- o Apart from consumer spending, expansion is holding up well. Industrial production appears to be rising faster than GNP; the latest survey of capital spending intentions points to real growth of about 7 percent this year; new housing starts have held up very well in the face of tighter money.
- o Employment growth has slowed in recent months, and the unemployment rate has fluctuated around 6 percent.

The rate of inflation moderated considerably during July and August as food prices leveled out, but moved up again in September. Apart from food prices, there have been no real signs of deceleration in inflation.

#### B. The Outlook

We are developing an updated interagency forecast for 1979 and 1980. As I reported to you about a month ago, it now appears likely that real growth will slow to about 3 percent in 1979. This forecast implies an increase in unemployment to about 6-1/4 percent by the end of next year -- if productivity growth improves from the poor experience of the past year.

The outlook for 1980 is subject to greater uncertainty. Some strengthening from the 1979 pace seems possible if inflation moderates, but not otherwise. For both 1979 and 1980, there is a considerable risk that real growth may fall below our expectations.

The chances of outright recession do not seem large. As I have indicated to you in earlier memos, monetary restraint is not having the harsh effect on housing that we had earlier feared -- because the new money market certificates issued since June have been highly successful in raising deposit inflows to savings and loan associations (see Table 1). But too much monetary and fiscal restraint could weaken growth more than we want.

In discussing the outlook with Chairman Miller, you will probably wish to emphasize your commitment to continuing reductions in the budget deficit and to a taut control over spending. Given this fiscal stance, however, keeping real growth from falling below 3 percent may be difficult. You may wish to explore with Chairman Miller whether the Fed shares our view that the main risks are on the side of slowing too much over the next year or two.

#### II. Recent Developments in Financial Markets

Since the April-May surge, the narrowly defined money supply ( $M_1$ ) has grown erratically, averaging an annual rate of 7.2 percent from June through August (see chart), somewhat above the upper end of the Fed's target range of 4 to 6-1/2 percent. In September,  $M_1$  growth appears to have accelerated sharply -- to a figure of 10 percent or higher. Growth in

Table 1

## Growth in Total Thrift Deposits and Certificates

	1977	1978							
	<u>Dec.</u>	Jan	Feb	Mar	Apr	May	June	July	Aug
Growth in savings deposits*:									
%, annual rate	9.4	6.3	5.9	7.5	5.6	8.0	8.8	13.7	14.8
billion \$	4.1	2.7	2.6	3.3	2.5	3.6	3.9	6.1	6.7
Money market certificates sold, bil. \$	-	-	-	-	-	-	6.5	7.9	4.7

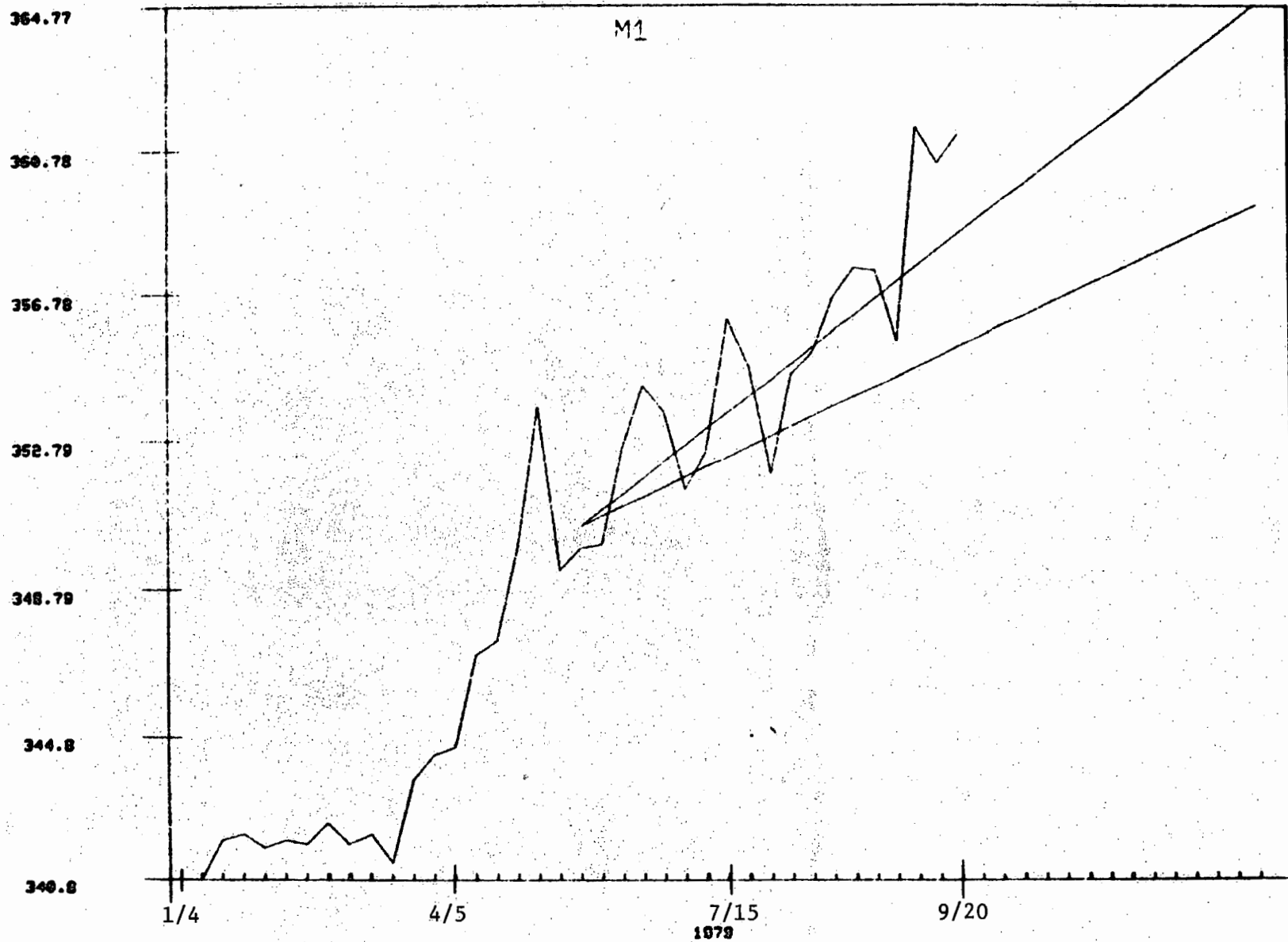
\*At mutual savings banks and savings and loan associations.

September 29, 1978

# Growth of M1 Relative to Target Range

billions of \$

Target Range:  
6-1/2% - 4%



September 29, 1978

# Growth of M2 Relative to Target Range

billions of \$

Target Range:  
6-1/2% - 9%

882.6549

M2

871.1624

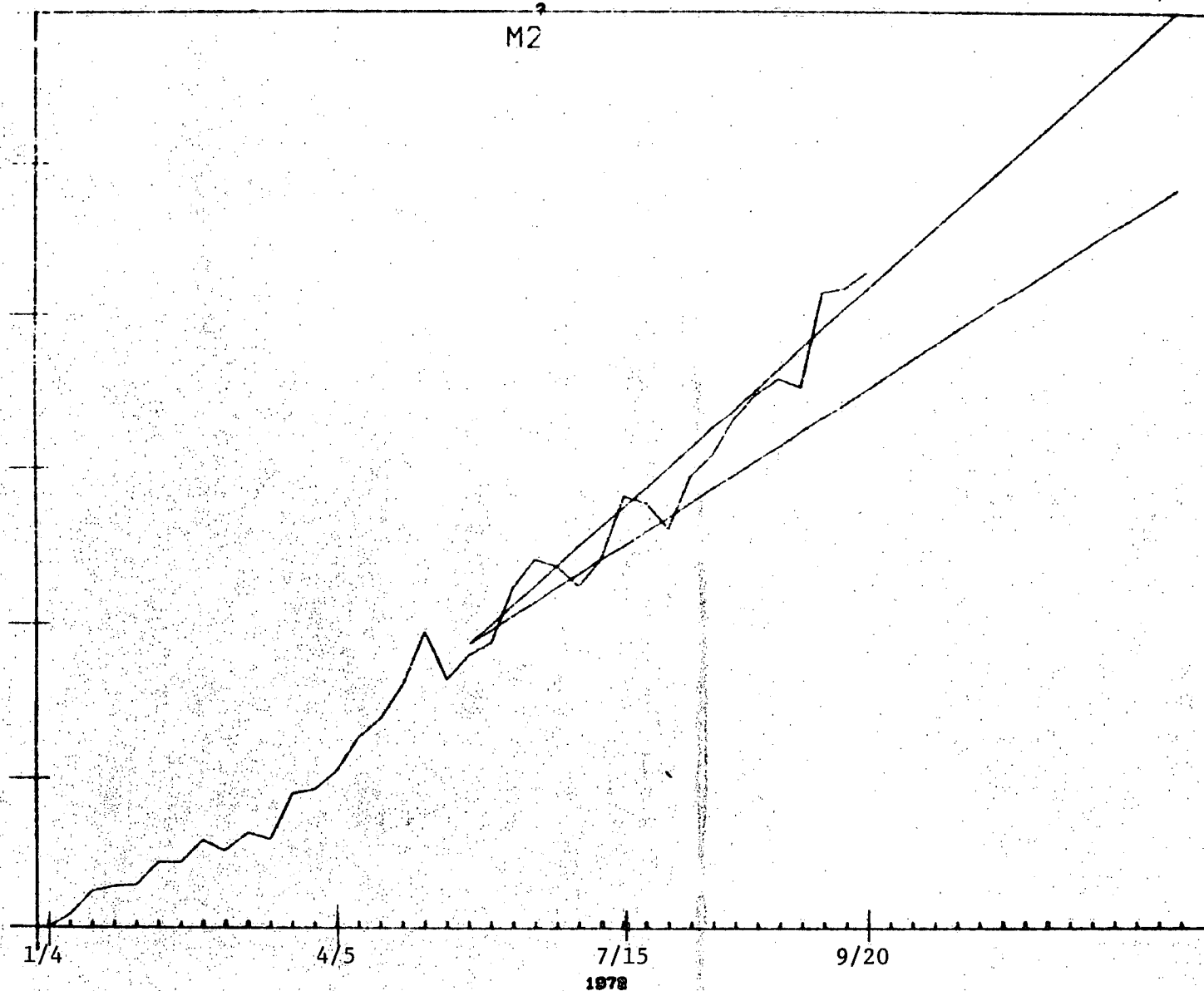
859.6699

848.1774

836.6850

825.1925

813.7000



the broader aggregate,  $M_2$  (including commercial bank time and saving accounts), has been less volatile and has exceeded the target range only in the past few weeks.

Interest rates began to rise sharply once again in mid-August. Between mid-August and late September, the discount rate was raised in two steps by a total of three-quarters of a percentage point, to 8 percent. The Federal funds rate was increased from just under 8 percent in mid-August to about 8-3/4 percent presently. As shown in Table 2, other short-term rates have risen by about the same amount. Long-term rates have risen less but have been moving up again in the past couple of weeks.

The depreciation of the dollar in August was a factor in the mid-August increases in interest rates.

The Fed's own staff forecasts GNP to rise by 3.1 percent for the remainder of this year and 3.4 percent for 1979, growth rates only slightly different than our own forecasts.

Given these facts it would be useful to explore with Chairman Miller the thinking behind recent Fed actions to increase interest rates:

- o Do they think the economy should be slowed below the staff forecasts, as a means of slowing inflation?
- o Are they, rather, principally worried about the sharp growth in  $M_1$ , and trying to slow it down
  - because such growth is bad in and of itself
  - or because failure to slow it would upset the financial community and lead to perverse increases in long-term rates?
- o Are they "defending the dollar" by increasing the spread between U.S. and foreign interest rates and thereby attracting funds to the United States?

Table 2  
Interest Rates

	<u>1977</u>	<u>1978</u>			
	<u>Monthly Avg.</u> <u>December</u>	<u>Weekly Average for Week Ending</u> <u>Aug 11</u>	<u>Sept 1</u>	<u>Sept 29</u>	<u>Tues.</u> <u>Oct. 3</u>
Federal Funds	6.56	7.83	8.28	8.62	8.83
Treas. Bills - 3 month	6.07	6.79	7.50	7.96	8.16
Treas. Bills - 6 month	6.40	7.18	7.65	8.28	8.38
Corporate Bonds	8.19	8.66	8.69	8.77	8.79
Mortgages	9.09	9.70*		9.73*	n.a.

\*Monthly average for August and September

More generally, given the uncertainties in the outlook outlined above, it would be helpful in coordinating monetary and fiscal policy to have an understanding of the Fed's views regarding the need, and scope, for further monetary restraint.

### III. Discussion of Anti-Inflation Program

The broad outlines of the strengthened program to be announced soon --

- o a 7 percent ceiling for increases in wages plus privately paid fringe benefits;
- o deceleration of price increases by one-half percentage point from the 1976-77 base period and commensurately more if a firm's wages plus fringes decelerate more than one-half point;
- o a series of government measures to encourage compliance with these standards;
- o a partial Federal hiring freeze;
- o an austere 1980 budget submission --

have been discussed with Chairman Miller by Mike and me.

It seems desirable for you to stress for Chairman Miller your commitment to implementing anti-inflation measures which:

- o can be initiated soon so as to ease the pressure on the dollar and create a much more favorable environment for next year's major round of labor negotiations;
- o hold a promise of gradually, but continuously, unwinding the momentum of inflation;
- o avoid the administrative costs and economic inefficiencies of direct controls;
- o avoid the huge costs in high unemployment and low investment associated with trying to lick inflation solely by restrictive monetary and budget policies.

You may also wish to indicate that:



- o achieving success with a program of voluntary standards will demand a substantial political investment and commitment of will by your Administration;
- o there is no way of assuring success;
- o the program will work only if monetary and fiscal policies are prudent and cautious.

You may wish to probe with Chairman Miller two aspects of the Fed's response to the program:

1. How may the Fed respond to the announcement of the program? It would be helpful if the Fed could signal that it believes there are real prospects for achieving a change in the inflation climate.
2. If the program is successful in reducing the underlying rate of inflation by (say) one-half percentage point in 1978, what bearing might this have on monetary policy? We cannot expect the Fed to tie its hands, but a cautious attitude toward further monetary restraint would seem economically justifiable. Moderation of both inflation and real growth next year should permit some easing of interest rates without acceleration in growth of the monetary aggregates. (The labor unions are very insistent that interest rate declines accompany lower inflation, as part of the anti-inflation program.)

Attachment

October 2, 1978

AGENDA FOR OCTOBER 5 QUADRIAD MEETING

1. Discussion of recent economic developments and the outlook.
  - a) Prospects for major sectors of the economy.
  - b) What are the major probable areas of weakness next year?
2. Discussion of recent developments in financial markets and the outlook.
  - a) To what extent does the recent sharp rise in the Federal funds rate and other short-term interest rates reflect: greater concern about inflation? Concern that the economy may grow too strongly? Sharp growth in the monetary aggregates? Increased freedom to raise interest rates because deposit inflows to thrift institutions have been restored by the new money-market certificates?
  - b) Do interest rates need to rise significantly further to cool the economy? To hold down the growth of monetary aggregates?
3. Discussion of anti-inflation program.
  - a) What are the prospects for its success?
  - b) If successful, what bearing could it have on monetary policy decisions?

THE WHITE HOUSE  
WASHINGTON

he has FOM copy

---

10:00 a.m.  
10-5-78

to Members of Congress  
The Producer Price

Index for finished goods  
rose 0.9% in September

(an annual rate of 11.4%).  
I urge you to help

we control inflation and  
to set an example of  
leadership for the nation by  
supporting my veto of the  
public works bill.

Jimmy Carter

THE WHITE HOUSE  
WASHINGTON

October 5, 1978

Stu Eizenstat

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

SEN. HODGES AND RICE SITUATION

FOR STAFFING
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FOR INFORMATION
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FROM PRESIDENT'S OUTBOX
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LOG IN/TO PRESIDENT TODAY
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IMMEDIATE TURNAROUND
----------------------

NO DEADLINE
-------------

LAST DAY FOR ACTION
---------------------

ADMIN CONFIDENTIAL
--------------------

CONFIDENTIAL
--------------

SECRET
--------

EYES ONLY
-----------

ACTION

FYI

VICE PRESIDENT
----------------

JORDAN
--------

EIZENSTAT
-----------

KRAFT
-------

LIPSHUTZ
----------

MOORE
-------

POWELL
--------

RAFSHOON
----------

WATSON
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WEXLER
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BRZEZINSKI
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MCINTYRE
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SCHULTZE
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ADAMS
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ANDRUS
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BELL
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BERGLAND
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BLUMENTHAL
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BROWN
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CALIFANO
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HARRIS
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KREPS
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MARSHALL
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SCHLESINGER
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STRAUSS
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VANCE
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ARAGON
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BUTLER
--------

H. CARTER
-----------

CLOUGH
--------

CRUIKSHANK
------------

FALLOWS
---------

FIRST LADY
------------

GAMMILL
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HARDEN
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HUTCHESON
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LINDER
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MARTIN
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MOE
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PETERSON
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PETTIGREW
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PRESS
-------

SANDERS
---------

VOORDE
--------

WARREN
--------

WISE
------

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

Stu  
J

MEMORANDUM TO: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Senator Hodges and Rice Situation

As a follow-up to your conversation with Senator Hodges of Arkansas regarding the rice situation, following is the situation:

BACKGROUND

As shown by the Chart #1, (attached), rice prices rose to extraordinarily high levels last year.

Responding to those high prices, U.S. producers expanded their 1978 rice plantings by a third. The result was a record 1978 crop -- 38% larger than last year -- and a consequent lowering of prices.

While prices have fallen this year as Senator Hodges indicated, they have fallen from a very high plateau.

Domestic use will rise modestly this year. Year-end stocks will nearly double.

Many rice farmers, particularly those in Arkansas, increased their production above allotted acreage limits and thus do not qualify for deficiency payments in their expanded acreage.

ADMINISTRATION INITIATIVES

Increased P.L. 480 shipments: Senator Hodges suggested an increase in P.L. 480 shipments as one way to boost prices.

There are limits to how much these shipments can be increased because a canvass already done by the Department of Agriculture at the behest of the rice industry has indicated a dearth of new opportunities. Also recipient countries prefer wheat to rice since it has more unit calories of nutrition; rice is more expensive per calorie.

Nevertheless, we will increase P.L. 480 shipments of rice by about 20% this marketing year (August 1978-July 1979)  
-- 685,000 tons in comparison with 570,000 tons last year.

Faced with a declining market price for the coming year, the rice industry has aggressively lobbied for government actions to strengthen the market. In particular, they have urged that we increase P.L. 480 programming to 1 million metric ton (mmt) under Title I and 150,000 mmt under Title II. This compares with planned levels of 610,000 mt and 75,000 mt, respectively.

USDA argues that the industry proposal is unrealistic. They find that in many cases the suggested P.L. 480 levels in the industry proposal exceed an average of the countries' recent total import requirements. Thus, when one applies the required commercial sales protection criteria under P.L. 480, many of these countries would be excluded or the level of their programs would be sharply reduced from those in the proposal. The level proposed for Indonesia was particularly suspect given that: (1) Indonesia's 1978 crop prospects are excellent, (2) they are already trying to delay delivery of earlier purchases, and (3) some of Indonesia's traditional commercial suppliers appear to have abundant supplies.

In addition, to help raise rice prices, we intend to get an early start on the 1979 P.L. 480 program, signing as many agreements as possible in the next several weeks. This will benefit producers by supporting demand during the critical post-harvest period. We would then monitor the situation and stand ready to amend these levels should conditions warrant.

Creation of Farmer-owned Reserve: On September 20th, Secretary Bergland announced opening of the farmer-owned rice reserve program for the 1978 rice crop, with a ceiling of 8 million cwt. Last year it was not open. Producers entering the program will receive a prepaid annual storage payment of 85 cents per cwt in addition to the \$6.40 per cwt loan. Interest will be charged on the loan the first year the rice is in the reserve but will be waived for the succeeding period.

Participants agree to leave their rice in the reserve for 3 years or until stated price levels are reached. The release level is reached and storage payments are stopped when the national average market price reaches 140 percent of the loan rate; the loan is called when the market price reaches 160 percent of loan.



- 3 -

The industry has proposed that the upper limit on the farmer-owned reserve be increased from 8 million cwt to 13.5 million cwt. We have asked the Department of Agriculture to give us their assessment of this proposal.

#### Deficiency Payments

By law, deficiency payments cannot be made now, as Senator Hodges indirectly urged. They can only be made 5 months after beginning of the market year (August 1978). If farm prices for rice average below \$8.53 per cwt the first five months of the crop year, as we expect, deficiency payments will be made in January 1979.

#### Commercial Exports

A continued high level of commercial trade is occurring and the Department of Agriculture will continue to help expand export markets for rice.

#### Other

We are now reviewing the option of a 1979 rice crop set-aside or diversion but it is too early for a decision. We would welcome Senator Hodges' view on this.

In conclusion, we are taking steps to help the situation by:

- increasing P.L. 480 shipments by 20%
- making early contracts under P.L. 480
- opening up the farmer-held reserve for rice
- making deficiency payments as early as legally possible (January) if prices remain depressed
- continuing to boost exports
- reviewing the possibility of whether a set-aside diversion program is called-for.

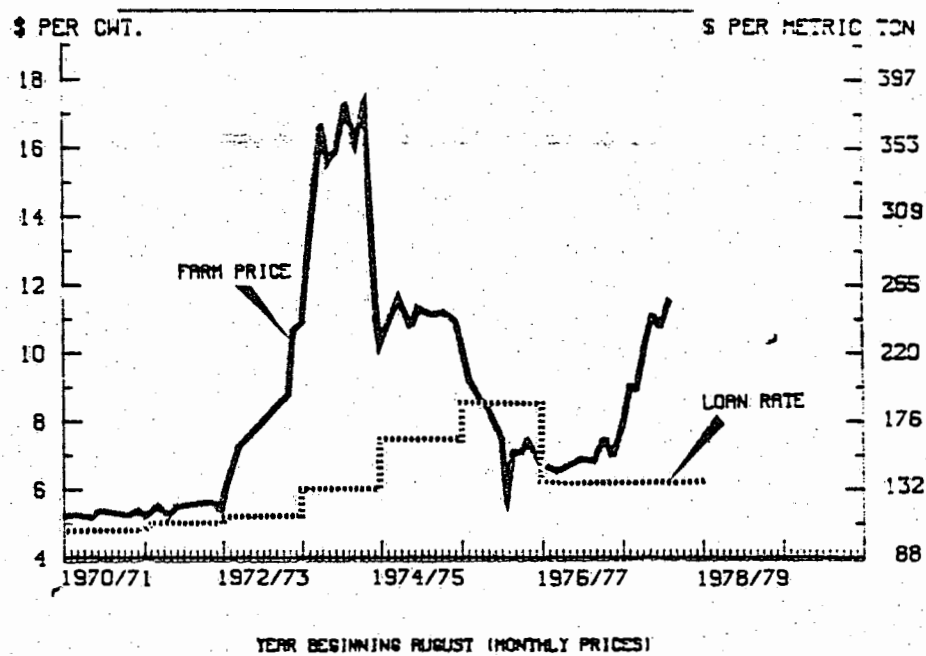
I will be glad to transmit this to Senator Hodges if you would prefer not to call him again on this topic.

ok  
J

# CHART I

ITEM	Year beginning August 1			
	1975	1976	1977 (prelim.)	1978 (proj.)
--- million hundredweight ---				
Supply	135.5	156.6	139.8	164.6
Domestic Use	40.3	42.7	37.6	44.0 (+2.0)
Exports	56.5	65.6	72.8	67.0 (+5.0)
Ending Stocks	36.9	40.5	27.4	53.6 (+7.0)
Prices	--- dollars per hundredweight ---			
Average farm price	8.35	7.02	9.43	6.50-7.50
Average loan rate	8.52	6.19	6.19	6.40
Target price	-	-	8.25	8.53
--- dollars per bushel ---				
Average farm price	3.76	3.16	4.24	2.90-3.40
Average loan rate	3.83	2.79	2.79	2.88
Target price	-	-	3.71	3.84

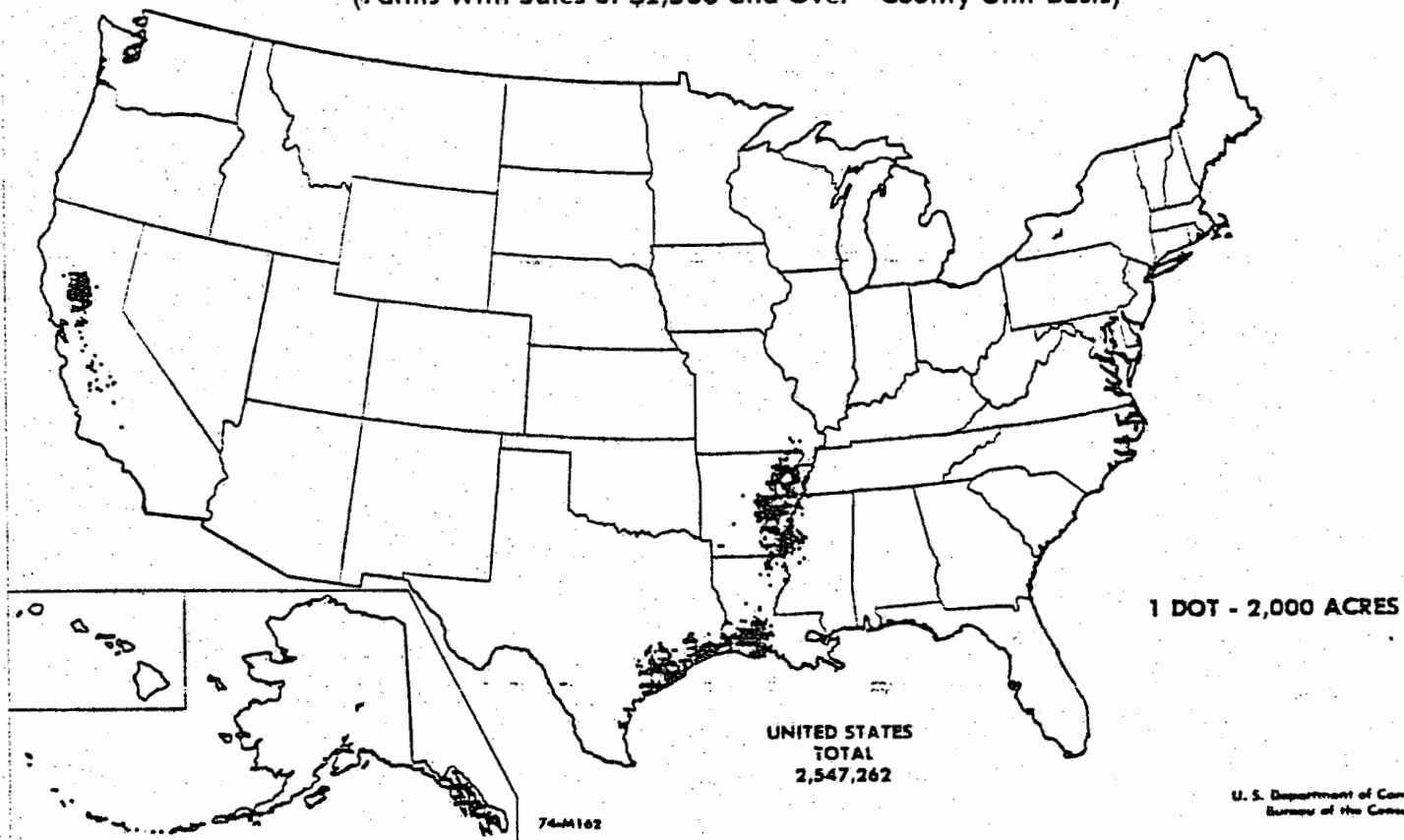
# ROUGH RICE FARM PRICES AND LOAN RATES



USDA

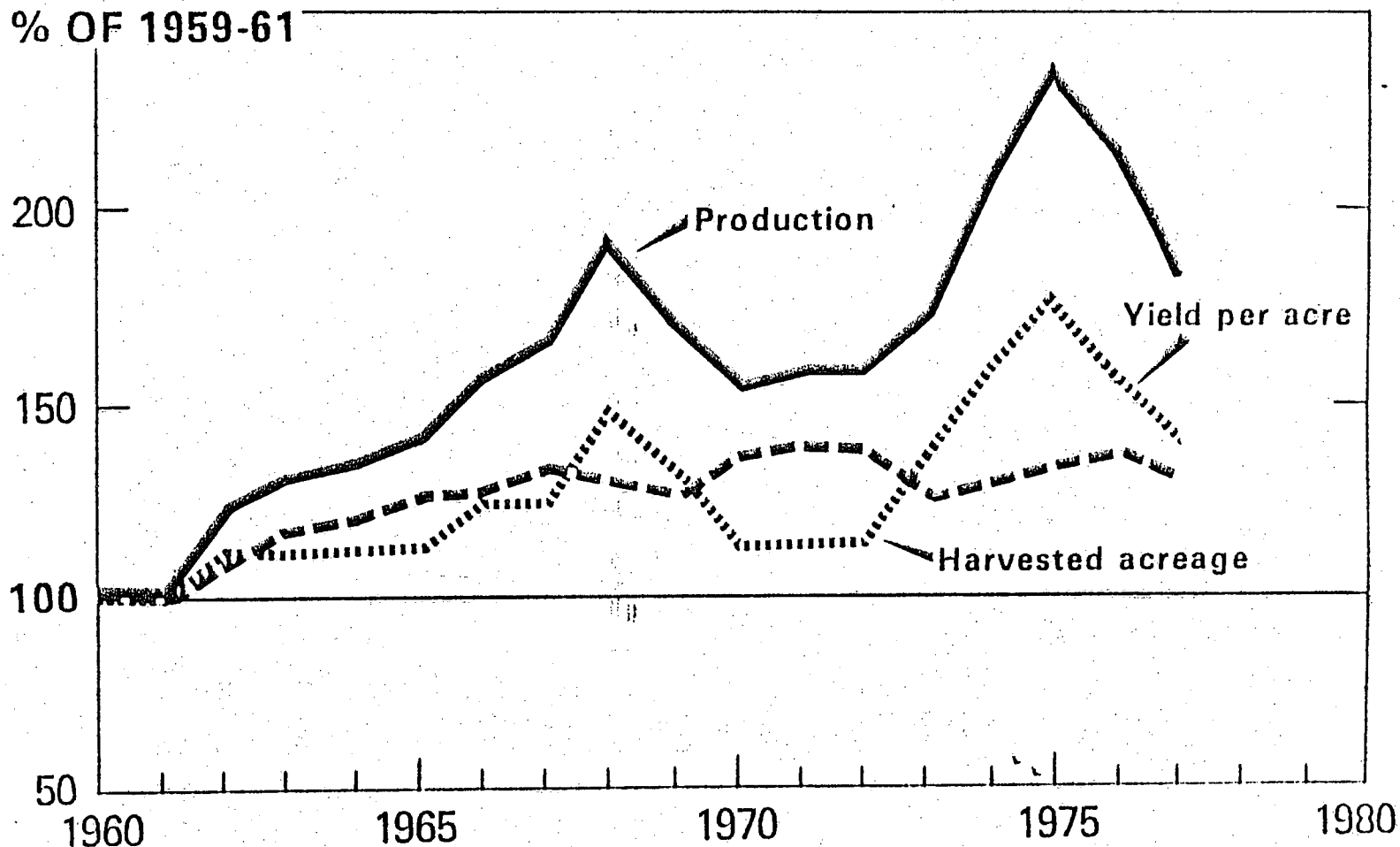
NEG. ESCS 408-78(3)

**Rice Harvested: 1974**  
(Farms With Sales of \$2,500 and Over—County Unit Basis)



# RICE ACREAGE, YIELD, AND PRODUCTION\*

% OF 1959-61



\* DOES NOT INCLUDE MINOR STATES.

THE WHITE HOUSE  
WASHINGTON

Frank has copies

THE WHITE HOUSE  
WASHINGTON

*Frank J*

October 3, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*  
SUBJECT: RECOMMENDED TELEPHONE CALLS - PUBLIC WORKS  
APPROPRIATIONS BILL

I would like you to call the following Senators to inform them of your decision on the public works appropriations bill prior to formal announcement of that decision. The Senators are:

Robert Byrd (D-WVa) *done*

Edmund Muskie (D-Maine) *done*

Patrick Leahy (D-Vt)

Gaylord Nelson (D-Wis)

Richard Lugar (R-Ind)

John Chafee (R-RI)

*} not done*

You should strongly encourage Senator Muskie to help us defeat an override attempt. The others are already committed to helping us and have been doing so actively. They will lead our fight on the floor.

*Mr President if you only have time for  
one call it should be Muskie.  
Late, Cable, Thompson and I will  
make all other calls. F.M.*



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

October 4, 1978

*Frank -  
done -  
He will check  
w/ Baker  
J*

FOR THE PRESIDENT

FROM JOE CALIFANO *JC* *FM*

Frank Moore, Stu and I believe that you should call Bob Byrd and urge him to set up a separate vote on hospital cost containment. Otherwise, Kennedy and Nelson will move to attach it to the tax legislation.

Senators Talmadge, Kennedy, Nelson and Baker all will agree to permit a vote on hospital cost containment. Baker committed to me that he would oppose a filibuster.

We still do not have the votes, and when we get a firm time, we will ask you to make a few calls or hold a meeting with a selective group of Senators. But of the two alternatives -- a separate vote, or a vote in connection with the tax bill -- the former seems far preferable.

We will be hard pressed to oppose attaching cost containment to the tax bill when Kennedy and Nelson insist on it. They will argue that hospital cost containment provides the votes for some of the tax relief and also will put us in the position of not being as strong and hard for hospital cost containment as we should be.

Unless Byrd has problems of which we are not aware (which is always possible) he should be willing to schedule the bills separately.



THE WHITE HOUSE

WASHINGTON

10/5/78

Stu Eizenstat

Frank Moore

Jody Powell

Anne Wexler

Jerry Rafshoon

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
JORDAN
EIZENSTAT
KRAFT
LIPSHUTZ
MOORE
POWELL
RAFSHOON
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE
ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

ARAGON
BUTLER
H. CARTER
CLOUGH
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
LINDER
MARTIN
MOE
PETERSON
PETTIGREW
PRESS
SANDERS
VOORDE
WARREN
WISE

THE WHITE HOUSE  
WASHINGTON

October 4, 1978

MEMORANDUM FOR:

FROM:

THE PRESIDENT

FRANK MOORE  
JERRY RAFSHOOR  
JODY POWELL  
STU EIZENSTAT  
ANNE WEXLER

SUBJECT: Public Works Veto

We feel strongly that, if your veto is sustained, the Administration's response must be low-key and conciliatory. We do not believe statements should be made which antagonize the leadership and the Members who will be negotiating with us on a new bill.

Our first recommendation is that you not make an oral statement after a successful vote, but simply issue a statement. That statement would express appreciation for the House's support of your veto and state a desire to work with the Congress to develop an improved bill for enactment this year. Our second recommendation is that Hamilton be authorized to call a senior staff meeting tomorrow to indicate your concern about avoiding any gloating statements by White House staff members. Hamilton's remarks would be relayed to other White House staff members, as well as to other Administration officials who are working on the public works bill.

In sum, our feeling is that the press will give us whatever credit we deserve for sustaining the veto; we do not need to encourage them at the expense of antagonizing the Speaker, Congressman Wright and Congressman Bevill.

*I agree*  
*J*

✓  
\_\_\_\_\_  
\_\_\_\_\_

Approve Statement  
(to be drafted by Jim Fallows)

Approve Meeting

cc: Hamilton Jordan

C  
1

Rome, October 5, 1978

Dear Mr. President:

As always, it was a joy for Danielle and myself to have your mother with us. The Vatican and the Italian people were greatly pleased by her presence. In every way, Miss Lillian continues to be a great Ambassador for our country. I hope she will return for a longer stay in the spring so that she can see her old friend, President Pertini, and other Italian leaders.

I also hope you and Mrs. Carter will consider coming to Rome for the Inauguration of the new Pope, which is likely to be around October 22-23. This would offer a splendid occasion to mobilize international support for your peace efforts in the Middle East, for human rights and for the international struggle against hunger and poverty. Your attendance at the Inauguration could be combined with a one-day visit with Italian leaders -- a visit that would be warmly appreciated by both the Italian and American people.

I would like to take this opportunity to express my hope that your new Representative to the Holy See will be appointed as soon as possible and that he will accompany our delegation to the Papal Inauguration. As long as that post remains unfilled -- or is filled by someone less than entirely suitable -- I will be under pressure to play a role in Vatican affairs that is not appreciated by the Vatican and by those Italians and Americans concerned about the strict separation of Church and State.

I have already suggested several persons who could perform this function admirably, taking into account the important role that the Holy See will play on major world issues, and particularly in connection with further steps toward peace in the Middle East -- Charles Yost, Dean Rusk

The President  
The White House  
Washington, D.C.

and John J. McCloy. Undoubtedly there are other persons of similar stature that could be mentioned. The Vatican Representative should not be permanently resident here; rather, he should come for two visits a year of approximately ten days each and possibly other visits if a special need arises. I believe it is important to your Administration and to our country that someone of this quality be appointed promptly.

With best personal regards,

Sincerely,

A handwritten signature in dark ink, appearing to read "Dick", written in a cursive style.

Richard N. Gardner

THE WHITE HOUSE  
WASHINGTON

CHIP CARTER - FYI

The attached was returned in  
Mrs. Carter's outbox. It is  
being forwarded to you for  
appropriate handling.

Madeline MacBean

10/5/78

*File*

*Chip*  
*FXI*

*Ros*  
*info*  
*J*

THE WHITE HOUSE  
WASHINGTON

September 27, 1978

Mr. President:

Senator Biden called to report the results of the statewide poll in Delaware on the Administration. In August the polls showed 47% favorable -- 44% unfavorable; on September 7, the polls showed 51% favorable; -- 38% unfavorable; on September 13 (prior to the announcement of the Camp David accords), the polls showed 54% favorable -- 35% unfavorable. Senator Biden stated that another poll is going out in the next day or so and he would expect even greater movement as a result of the Camp David agreements. He stated that this confirmed his view that positive movement in your direction was occurring prior to the Camp David announcement.

*Fm*

Frank Moore

*Stu*

Stu Eizenstat

cc: Hamilton Jordan  
Jody Powell  
Jerry Rafshoon

FEB 5 1979

55 (unknown - presumed No)

433  
368

$$\begin{array}{r} 1 - 142 \\ 2 - 19 \\ 3 - 30 \\ 4 - 19 \\ 5 - 158 \\ \hline 433 \end{array} \left. \begin{array}{l} \\ \\ \\ \end{array} \right\} \begin{array}{r} 191 \\ \\ \\ \end{array} \begin{array}{r} 177 \\ 55 \\ \hline 232 \end{array}$$

✓ Linc  
✓ Phil Burton →

✓  
Vote count on  
Pub Wks veto  
8:00 a.m. 10/5/78